



Negotiating

About this Topic: Negotiating



Topic Mentor

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Marjorie Corman Aaron, J.D. is a mediator, trainer, and professor with more than 16 years' experience in mediation, negotiation, and dispute resolution. She spent four years as Executive Director of the renowned Program on Negotiation at Harvard Law School, from which was born the best-selling book *Getting to Yes* by Roger Fisher, William Ury, and Bruce Patton. She is currently the Director of the Center for Practice in Negotiation and Problem Solving at the University of Cincinnati College of Law where she teaches negotiation and dispute resolution. She uses an in-depth understanding of the theory of negotiation as well as her practical experience of having mediated hundreds of business and legal disputes to help managers and students develop the skills and judgment to be better negotiators.

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What Would You Do?

What would you do?

When Alice started recruiting Manuel, she knew he'd provide the high-profile expertise the company needed—and she knew he'd be expensive.

But his demands seem to be escalating out of control. So far, Alice has upped the already-high salary, added extra vacation time, and increased his number of stock options. Now Manuel is asking for an extra performance-based bonus.

Alice has reviewed the list of other candidates. The closest qualified applicant is very eager for the job, but lacks the experience that Manuel would bring.

Alice prefers Manuel, but she is uncomfortable with his increasing demands. Should she say "no" on principle and risk losing him? Or should she agree to his latest request and hope it will be the last?

What would you do?

Alice realizes that this situation with Manuel is similar to negotiations she has faced in other aspects of her life. To figure out what to do, she needs to determine her best alternative to a negotiated agreement, called a BATNA. Knowing her BATNA means knowing what she will do or what will happen if she does *not* reach agreement in the negotiation at hand. For example, Alice should set clear limits on what she's willing to offer Manuel and analyze the consequences *if she is turned down*. Would she really be happy choosing a different option for her needs, or is it worth upping the ante to get exactly what she wants? After she has determined her BATNA, she should then figure out her **reservation price**, or her "**walk-away**" number. What's the least favorable point at which she'd accept the arrangement with Manuel? Once she knows her BATNA and reservation price, she should use those as her thresholds in her negotiations and not be swayed by Manuel's other demands.

In this topic, you'll learn the steps and **tactics** for conducting a successful negotiation.

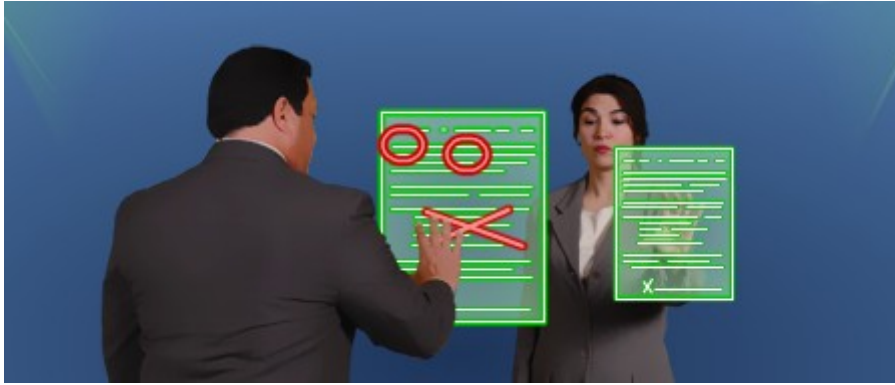
During tough negotiations, both sides can escalate their demands to nearly unreasonable levels. Learn some key ways to know when to fight and when to concede.

Topic Objectives

This topic helps you:

- Understand the basic types of negotiation and the key concepts underlying them
- Prepare for, conduct, and close a negotiation
- Maintain a good negotiating relationship with the other side and maximize value for both sides
- Avoid common errors and overcome common barriers to agreement

Dealing with differences



Negotiation is the process by which people deal with their differences. Whether those differences involve the purchase of a new automobile, a labor contract dispute, the terms of a sale, or a complex alliance between two companies, resolutions are typically sought through negotiations. To negotiate is to seek mutual agreement through dialogue.

A business negotiation may be a formal affair that takes place across the proverbial bargaining table, in which you haggle over the price and terms of a contract. Alternatively, it may be less formal, such as a meeting between you and several fellow employees whose collaboration is needed to get a job done. If you are a supervisor, manager, or executive, you probably spend a good part of your day negotiating with people inside or outside your organization—often without even realizing it.

There are essentially two kinds of negotiation: **distributive negotiation** and **integrative negotiation**. Most negotiations combine elements of both types, but for the purposes of understanding, it's important to examine each type in its pure form.

Key Idea: Distributive negotiation

Key Idea

In a distributive negotiation, parties compete over the distribution of a fixed sum of value. The key question in a distributed negotiation is "Who will claim the most value?" A gain by one side is made at the expense of the other. This is also known as a **zero-sum negotiation**.

Examples of distributive negotiations include the sale of a car and wage negotiations.

- First, in the sale of a car, there is no relationship between the buyer and seller, and all that matters is the price. Each side works for the best deal, and every gain by one party represents a loss for the other.
- Second, in wage negotiations between business owners and their union employees, the owners know that any amount conceded to the union will come out of their own pockets—and vice versa.

Often, there is only one issue in a distributive negotiation: money. The seller's goal is to negotiate as high a price as possible; the buyer's goal is to negotiate as low a price as possible. A dollar more to one side is a dollar less to the other. Thus, the seller and the buyer compete to claim the best deal possible for themselves, and the bottom line defines what is possible.

In a distributive negotiation, it is impossible to make trade-offs based on differing preferences. Because there is only one issue at stake, you can't trade more of what is highly valued by one party against a different item or issue highly valued by the other party. Thus, the deal is confined: There are no opportunities for creativity or for enlarging the scope of the negotiation.

Similarly, relationship and reputation are irrelevant—the negotiators are not willing to trade value in the deal for value in their relationship with the other negotiator.

To excel at negotiating, you must understand the motivation of every party in the negotiation. Is the only issue how much money each party gets?

Key Idea: Integrative negotiation

Key Idea

The second kind of negotiation is integrative negotiation. In this type of negotiation, parties cooperate to achieve maximum benefits by integrating their **interests** into an agreement. This is also known as a "**win-win**" negotiation.

You probably conduct many integrative negotiations with your friends or neighbors.

For example, you might negotiate with a neighbor about the boundary between your properties.

In an integrative negotiation, there are many items and issues to be negotiated, and the goal is to "create" as much value as possible for yourself and the other side.

Each side makes trade-offs to get the things it values most, while giving up other, less critical factors.

Sometimes your interests are not the same as those of the party with whom you're negotiating.

This means that your ability to claim what you want from the deal does not necessarily detract from the other party's ability to claim what he or she wants from the deal.

Finding opportunities for mutual benefit requires cooperation and disclosure of information. Both parties need to understand their own key interests and the key interests of the other side.

As a result, opportunities for creativity abound and the relationship between you and the other party becomes highly valued.

In business, integrative negotiations tend to occur in three instances:

- First, they occur during the structuring of complex, long-term partnerships or other collaborations.
- Second, they occur after financial terms (or the competitive aspects) of a deal have been set.
- Third, they occur between professional colleagues or superiors and direct reports whose long-term interests benefit from the other's satisfaction.

Creative solutions to negotiations are possible when all parties are motivated by joint gain. How can you ensure a negotiation is win-win?

Comparing negotiation types

The following table summarizes the main differences between distributive and integrative negotiations.

Distributive Versus Integrative Negotiations

Characteristic	Distributive	Integrative
Outcome	Win-lose	Win-win
Motivation	Individual gain	Joint gain
Interests	Opposed	Congruent
Relationship	Short-term	Long-term
Issues involved	Single	Multiple
Ability to make trade-offs	Not flexible	Flexible
Solution	Not creative	Creative

Activity: Distributive or integrative?

Sophisticated negotiations can distinguish between the two types of negotiations: distributive and integrative.

During an employment interview, Lyle knows he only needs the job for six months. Because of that, he intends to negotiate for the highest salary possible, no matter what other benefits may

be offered.

Does this scenario call for a distributive or integrative approach?

☐ Distributive

Correct choice. Lyle's motivation is not for joint gain because he is thinking only of his own short-term needs.

☐ Integrative

Not the best choice. Lyle's motivation is not for joint gain because he is thinking only of his own short-term needs.

Maria must negotiate with her team on where they will sit in their new building. Some want to be closer to the break room because of the convenient access to the microwave. Others prefer to be where it's quiet.

Maria has some discretion with her budget, and may be able to purchase a microwave and specialty coffee maker for her team's workspace.

Does this scenario call for a distributive or integrative approach?

☐ Distributive

Not the best choice. Since there is not only one issue at play here, there is an opportunity to make a trade-off. It's possible for Maria's group to trade sitting next to the break room for sitting in a quiet space as long as she satisfies their interest in a microwave.

☐ Integrative

Correct choice. Since there is not only one issue at play here, there is an opportunity to make a trade-off. It's possible for Maria's group to trade sitting next to the break room for sitting in a quiet space as long as she satisfies their interest in a microwave.

Les wants to separate his property from his neighbor's. He has proposed building a wooden fence on the property line. His neighbor Lucia thinks a wooden fence would be an eyesore.

Does this scenario call for a distributive or integrative approach?

☐ Distributive

Not the best choice. Because Les's chief interest is marking the property line, it is possible to negotiate how it might be done. Perhaps Lucia would agree to some other method of marking the line.

☐ Integrative

Correct choice. Because Les's chief interest is marking the property line, it is possible to negotiate how it might be done. Perhaps Lucia would agree to some other method of marking the line.

Dora is negotiating with a local car dealer to buy a used car. The sticker on the window shows the final price with a disclaimer that says, "As-is."

Dora wants to talk the salesperson into reducing the price.

Does this scenario call for a distributive or integrative approach?

☐ Distributive

Correct choice. There is no relationship between the buyer and seller and a win on one side represents a loss on the other. There are no apparent trade-offs in features that can be made in this case.

☐ Integrative

Not the best choice. There is no relationship between the buyer and seller and a win on one side represents a loss on the other. There are no apparent trade-offs in features that can be made in this case.

Gabrielle would like to assign a long-term, complex project to Curtis, despite knowing that Curtis is trying to cut down his hours at work.

Gabrielle trusts Curtis implicitly and knows that he is very capable of this type of work. Does this scenario call for a distributive or integrative approach?

☐ Distributive

Not the best choice. This is an integrative negotiation because as a supervisor, Gabrielle would benefit from Curtis's long-term satisfaction. If this project would cause Curtis undue stress and burnout, it may not be to her ultimate advantage to assign the entire project to him. It is possible for each side to make some concessions in this case. Perhaps Curtis could offer to mentor a new project manager, or share leadership responsibilities with another colleague.

☐ Integrative

Correct choice. This is an integrative negotiation because as a supervisor, Gabrielle would benefit from Curtis's long-term satisfaction. If this project would cause Curtis undue stress and burnout, it may not be to her ultimate advantage to assign the entire project to him. It is possible for each side to make some concessions in this case. Perhaps Curtis could offer to mentor a new project manager, or share leadership responsibilities with another colleague.

The negotiator's dilemma

“ Let us never negotiate out of fear, but let us never fear to negotiate. ”
–John F Kennedy

Most business negotiations are neither purely distributive nor purely integrative situations; rather, competitive and cooperative elements are intertwined. The resulting tension, known as the **negotiator's dilemma**, requires difficult strategic choices—balancing competitive strategies, which make it hard to cooperate and create value effectively, with cooperative strategies, which make it hard to compete and claim value effectively. Knowing whether to compete where interests conflict—claiming more instead of less—or to create value by exchanging the information that leads to mutually advantageous options is at the core of the negotiator's art.

Beyond simple negotiation



Most people envision a negotiation as two people or teams sitting opposite each other at the bargaining table; the individual parties eventually come to an agreement or walk away. This characterization is fairly accurate for one-on-one negotiations that can be handled in a single meeting, such as the purchase of a car or a discussion between a supervisor and direct report about job performance and wages.

In reality, many negotiations are not so simple. They involve more than two parties, and they sometimes take place in phases, with each phase devoted to different issues.

Multiphase negotiations

Multiphase transactions are negotiations that are implemented over time in different phases. As parties proceed through the phases, each upholding its respective promises, future dealings are ensured. The context of multiphase negotiations allows parties to negotiate based on follow-through and continuing communication.

Examples of multiphase negotiations include:

- The buyout of an inventory-based business in which the parties set a price for the business and then agree to modify it later based on the value of the inventory on a specific date
- An architectural design contract in which the architect and client agree on a price for the design phase of a project, and then use the design to agree on a price for the completion of construction drawings

Strategies for multiphase negotiations

You can do certain things during the early and final phases of a multiphase negotiation that will help you achieve success.

During the early phases:

- **Become familiar with the other party's communication and negotiation style.** This knowledge will help you be more effective in the later, more critical phases.
- **Build trust.** Follow through on all agreements and promises so that the other party sees that you are trustworthy and cooperative.
- **Monitor the other party to insure that they are following through on agreements and promises.** A party's failure to perform as promised in an early phase can serve as a warning signal of the need to create enforcement mechanisms, security provisions, or other sanctions against a future nonperformance.
- **Walk away from disconcerting negotiations.** If the other party intentionally fails to follow through on agreements or promises, end the negotiations while you still can.

During the final phases:

- **Ensure that the last phase is not the most significant in dollars or impact, or the most difficult to accomplish.** This will help protect you when incentives to breach are the greatest. Most parties will not risk great injury to reputation by failing to perform a relatively insignificant item.
- **Pay attention to early warnings.** Create enforcement mechanisms against nonperformance or other breach of trust in situations in which the other party's promises have not been upheld.

Multiparty negotiations

Business and professional negotiations commonly involve more than two parties, and generally more than two people. In **multiparty negotiations**, coalitions or alliances can form among the parties and influence the process and outcome. Coalitions have more power than any individual party involved in the negotiation.

There are at least two types of coalitions:

- **Natural coalitions** are allies that share a broad range of common interests.

For example, an environmental agency and a citizen's nature conservation group share basic agendas and will often work in concert to block development initiatives, even without explicit agreement to do so.

- **Single-issue coalitions** form when parties that differ on other issues unite to support or block a single issue, often for different reasons.

For example, a labor union and a nature conservation group might form a coalition to block an anti-union developer from building a shopping mall in a wooded area. Each group has a different reason for joining the coalition.

Strategies for multiparty negotiations

To be successful in multiparty negotiations, you need to determine your party's interests and goals at the negotiation table, as well those of the coalition(s) you're dealing with, and then form a **strategy**. If

your party is relatively weak, consider forming a coalition with others to improve your bargaining power. If your party is up against a coalition, you might find ways to break the coalition apart.

While a natural coalition is hard to break because the parties are closely aligned, a single-issue coalition is generally more vulnerable. Because the parties involved in a single-issue coalition have different reasons for joining, it is often possible to address the demands of one party, leaving the other party standing on its own.

For example, when a labor union and a nature conservation group form a coalition to block an antiunion developer from building a shopping mall in a wooded area, the property owner might find a different developer with a better track record in dealing with unions. As a result, the union might be more likely to withdraw its opposition, leaving the conservationists to fight alone.

Key Idea: Negotiation framework

Key Idea

When people don't have the power to force a certain outcome or behavior, they generally negotiate—but only when they believe it is to their advantage to do so. A negotiated solution is only advantageous when a better option is not available.

Therefore, any successful negotiation must have a fundamental framework based on knowing:

- The best alternative to a negotiation
- The minimum threshold for a negotiated deal
- How flexible a party is willing to be and what trade-offs are possible

Four concepts are especially important for establishing this framework:

- The first is **BATNA** or *best alternative to a negotiated agreement*. Your BATNA is what you will do if you do not reach an agreement during a negotiation.
- The second is **reservation price** or "walk away." Your reservation price is the least favorable point at which you'll accept a negotiated deal.
- The third is **ZOPA** or *zone of possible agreement*. Your ZOPA is the range in which a potential deal can take place, defined by the overlap between the parties' reservation prices.
- And the fourth is **value creation through trades**. This occurs when goods or services are traded that have only modest value to their holders, but exceptional value to the other party.

Want to negotiate successfully? Prepare for the negotiation by ensuring you know your bottom line, how flexible you can be, and what you will do if you walk away.

Leadership Insight: Do your homework

I'd like to talk to you about effective negotiations. Negotiation skills are an art, an art that you must prepare for. When you negotiate, it's clear that you must prepare.

You must prepare and understand the other company's best alternative to an agreement. You need to understand your company need for an agreement and how those two either complement each other or conflict with each other.

So when doing your homework, it's also important to understand who you are negotiating with, what does that individual bring to the table, and what do they stand to lose through this negotiation.

Once you learn what you are up against, once you have done your preparation, the best negotiation is done face to face, but we realize in this global economy that's not always possible. An effective negotiation can be done over the phone.

It's important to know when to draw the line. Once you know where you can negotiate and once you know where the individual is coming from, you must also not allow that person and that company to push you further than your company is willing to go.

It's OK, when the negotiation gets heated, to walk away. Let the situation calm down and come back with clear heads, still pushing what needs to be closed, but making sure that the individual you're negotiating with understands how firm and committed you are to a successful conclusion.

Understand who you are negotiating with and what they stand to gain or lose from the agreement.

Colleen O'Keefe

Senior Vice President and General Manager, Collaborative Solutions and Global Services, Novell

Colleen O'Keefe is the Senior Vice President and General Manager of Collaborative Solutions and Global Services at Novell, a global IT infrastructure software company headquartered in Waltham, Massachusetts.

In this role, she combines her 30 years of operational, customer, and professional services expertise with the span of focus across solutions and services that enables her to serve customers and partners in a deeper way.

Before joining Novell, Colleen served as Vice President and General Manager of the Payment Solutions Division at NCR Corporation. She previously served as Vice President of Global Managed Services for NCR's Worldwide Customer Services division, where she was responsible of the development, marketing, and sale of NCR's portfolio of IT service capabilities.

Colleen has a bachelor's degree in economics from the College of the Holy Cross and a master's degree in business administration from the University of Hartford. She has also attended Stanford University's Executive Education Program.

Best alternative to a negotiated agreement

Your BATNA is your preferred course of action in the absence of a deal. Knowing your BATNA means knowing what you'll do or what will happen if you do not reach agreement.

For example, a consultant is negotiating with a potential client about a month-long assignment. It's not clear what fee arrangement she'll be able to negotiate, or even if she'll reach an agreement. Before she meets with the potential client, she determines her best alternative to a negotiated agreement—her BATNA. In this case, her BATNA is to spend that month developing marketing materials for *other* clients—work she estimates she can bill at \$15,000. When she meets with the potential client, her goal is to reach an agreement that will yield her at least \$15,000, preferably more.

Your BATNA determines the point at which you can say no to an unfavorable proposal; thus it is critical to know your BATNA before entering into any negotiation. If you don't, you won't know whether a deal makes sense or when to walk away. You might reject a good offer that is much better than your alternative or you might accept a weak offer, one that is less favorable than what you could have obtained elsewhere if there was no agreement.

Activity: Is it really your BATNA?

Never go into a negotiation without determining your BATNA. Practice identifying BATNAs to sharpen your negotiating skills.

You're negotiating a leasing agreement on some office equipment with Laura, the salesperson for the supplier.

Which of the following could be your BATNA?

- ☐ Accept the deal only if Laura meets or is lower than the highest monthly fee you're willing to pay

Not the best choice. Accepting the deal under these conditions is not your BATNA—it's your reservation price, the least favorable point at which you would accept a deal.

- ☐ Meet with another office equipment supplier to see what their leasing arrangements cost

Not the best choice. Though meeting with another supplier might generate useful information and put you in a stronger bargaining position, it's not a BATNA—a best alternative to a negotiated agreement. Instead, it's simply a way to gather more comparative data before considering what your best deal might be.

- ☐ Buy used office equipment instead of leasing new equipment

Correct choice. If Laura can't offer you a favorable deal for leasing the office equipment, buying used equipment might be your best alternative.

You've grown as a manager in your many years at TopCo and have asked David, your supervisor, for a promotion that would give you opportunities to acquire and apply new skills. He has suggested that the two of you meet to discuss your request.

What might be your BATNA in this situation?

- ☐ Take on stretch assignments with peer managers that would let you develop the skills that interest you

Correct choice. If David isn't willing to give you the promotion you want, taking on stretch assignments would be one way you could still develop the skills that interest you.

- ☐ Find a job with another company that can offer you the professional challenges you're interested in

Not the best choice. Though finding a job elsewhere is a valid alternative, it may not necessarily be your *best* one. That's because changing jobs is time-consuming and stressful, and you've had a good relationship with TopCo so far.

- ☐ Propose a timeline by which you would like to be promoted if David can't offer you the new role immediately

Not the best choice. Proposing a timeline isn't a BATNA—a best alternative to a negotiated agreement. Instead, it's a possible counteroffer you could make if David isn't willing to promote you immediately.

Reservation price

Your reservation price, also referred to as your "walk-away," is the least favorable point at which you would accept a deal. Your reservation price should be derived from your BATNA, but is not necessarily the same thing. Your reservation price and BATNA will be similar if the deal is only about money, and a credible dollar offer is your BATNA.

For example, when preparing to negotiate with a commercial landlord over a lease for office space, you consider that you are currently paying \$20 per square foot. This number is your BATNA. You also take into account the fact that the new location would be closer to clients and provide a more attractive workspace, thus you'd be willing to pay \$30 per square foot. That's your reservation price. If more than \$30 per square foot is required, you'll walk away and attempt to lease space in a different building. During the negotiation the landlord insists on \$35 per square foot and won't accept anything lower, thereby indicating that his reservation price is \$35 per square foot.

Zone of possible agreement

The ZOPA is the range in which a deal can take place. Each party's reservation price determines one end of the ZOPA. The ZOPA itself exists, if at all, in the overlap between these high and low limits, that is, between the parties' reservation prices.

Consider this example of a ZOPA: A buyer has set a reservation price of \$275,000 for the purchase of a commercial warehouse and would like to pay as little as possible. The seller has set a reservation price of \$250,000 and would like to obtain as much as possible. The ZOPA, therefore, is the range between \$250,000 and \$275,000.

If the numbers were reversed, and the buyer had set a reservation price of \$250,000 while the seller had set a reservation price of \$275,000, there would be no ZOPA—no overlap in the ranges in which they would agree. No agreement would be possible, no matter how skilled the negotiators, unless there were other elements of value to be considered—or one or both sides' reservation prices changed.

Value creation through trades

Another key concept of negotiation is value creation through trades, the idea that negotiating parties can improve their **positions** by trading the values at their disposal. Value creation through trades occurs in the context of integrated negotiations. Each party usually gets something it wants in return for something it values much less.

For example, two collectors of rare books, Helen and John, are entering a negotiation. Helen is interested in purchasing a first-edition Hemingway novel from John to complete her collection. During their negotiation, John mentions that he is looking for a specific William Prescott book, which Helen happens to own and is willing to part with. In the end, John sells Helen the Hemingway book, completing her collection, for \$100 plus her copy of the Prescott book. Both parties are satisfied. The goods exchanged had only modest value to their original holders, but exceptional value to their new owners.

Preparing to negotiate



Every important endeavor benefits from preparation. Negotiating is no different. People who know what they want, what they are willing to settle for, and what the other side is all about stand a better chance of negotiating a favorable deal for themselves. You are more likely to be an effective negotiator if you follow these nine preparatory steps.

- Step 1: Determine satisfactory outcomes
- Step 2: Identify opportunities to create value
- Step 3: Identify your BATNA and reservation price
- Step 4: Improve your BATNA
- Step 5: Assess who has authority
- Step 6: Study the other side
- Step 7: Prepare for flexibility in the process
- Step 8: Gather objective criteria to establish fairness
- Step 9: Alter the process in your favor

Steps 1-3

Step 1: Determine satisfactory outcomes

A negotiation's success is judged by its outcome; thus, it's best to be clear about what constitutes a good outcome for you and the other side before the negotiation begins. Satisfactory outcomes typically address the interests—the underlying motivations, concerns, and needs—of each party. Determining the interests of the other side, however, can be difficult—especially in distributive negotiations, in which the negotiating parties tend to conceal their interests. Try to uncover interests by asking questions that can help you ascertain the other party's priorities, concerns, and perspective.

Step 2: Identify opportunities to create value

Once you understand what a good outcome would look like for you and the other party, you can identify areas of common ground, compromise, and opportunities for favorable trades.

Consider the example of a prized employee who requests an extended leave of absence so that she can be more available to her child. Her supervisor is concerned that the work in her unit won't be completed in her absence. After uncovering interests and desirable outcomes, they are able to negotiate a mutually satisfying solution. Rather than taking an extended leave, the employee agrees to work reduced hours from home. The supervisor is willing to trade her presence on site for completed work, and the employee is willing to trade her extended leave for reduced hours.

Step 3: Identify your BATNA and reservation price

It's critical to know your BATNA and reservation price prior to a negotiation. It's prudent to estimate the other party's BATNA and reservation price as well. If you know this information ahead of time, you'll be able to recognize when you've reached a favorable deal, and you'll have a better sense of when to hold firm or make concessions.

Steps 4-6

Step 4: Improve your BATNA

Your BATNA determines the point at which you can say no to an unfavorable proposal. If you have a strong BATNA, you can afford to negotiate for more favorable terms. Therefore, it's wise to try and improve your BATNA before and during deliberations with the other party.

For example, you may look for new clients or vendors, or try to arrange better agreements with current clients or vendors.

Step 5: Assess who has authority

Ideally, you want to negotiate directly with the person who has the authority to make a decision. Doing so reduces opportunities for misunderstanding and prevents you from proceeding down a path with an unrealistic outcome. Do whatever you can to identify the real decision maker. It's perfectly acceptable to ask about who will be making the decision and to inquire about the decision-making process.

If you cannot negotiate directly with the decision maker, determine the level of authority of the person with whom you will be negotiating so that you can plan accordingly. Sometimes dealing with negotiators who lack full authority has advantages.

For example, they may be freer to discuss their company's interests and explore more creative options.

Step 6: Study the other side

Negotiation is a highly interpersonal activity. Therefore, it's advantageous to learn about the personality, style, and background of the people you'll be negotiating with as well as the culture, goals, and values of the organization they are representing.

This knowledge can help you form invaluable personal connections and avoid misunderstandings or errors during the negotiation process. Find out what you can about the other side by asking questions, talking with people who know the other party, and researching relevant Web sites, annual reports, and marketing materials.

Steps 7-9

Step 7: Prepare for flexibility in the process

Negotiations don't always follow a predictable or linear path. Relationships may become unpleasant or one party may replace a negotiator. Unanticipated developments can cause the other side to delay the process. Newly found opportunities may encourage the other side to drive a harder bargain.

To overcome these roadblocks, you need to be flexible and patient. Don't assume that the negotiation must proceed according to a predetermined course. Be prepared to deal with new people and unanticipated developments. Rather than seeing each change in the process as a problem, try to treat change as an opportunity for learning and creativity.

Step 8: Gather objective criteria to establish fairness

In any negotiation, both sides want to believe that any deal reached is fair and reasonable. This is especially important in cases in which the parties expect to have a continuing relationship. To establish what is fair and reasonable, you can use external, objective criteria.

For example, you might research current and comparable market values of properties before establishing a price for your land before making someone an offer.

Because there may be many relevant criteria for fairness and reasonableness, it's important to research which criteria might be applied to your situation. Be prepared to explain why criteria that are more favorable to you are more relevant and—vice versa—why criteria that are less favorable to you are less relevant. If you can convince the other side that a certain criterion or formula is fair and reasonable, that side will find it harder to reject a proposal incorporating the standard, and will be more likely to feel satisfied with the final deal.

Step 9: Alter the process in your favor

If, during a negotiation, you start to feel that your ideas are being ignored or that the meetings are rigged to produce a particular result, heed those feelings. It's likely that whoever set the agenda did so with a particular outcome in mind, that participants are deferring to someone with greater organizational clout, or that your ideas are out of step with those of others.

This type of situation warrants a change in the process. Note that this doesn't mean you should try to change the substantive *issues* being discussed, but, rather, logistical factors such as where the meeting occurs, who attends, and the sequence of the agenda. Believe it or not, these elements can influence the way others participate and react in meetings.

You can also work behind the scenes to educate others about your ideas. Talk with people who are respected and influential and/or consider forming a coalition. You may also reposition the issue being discussed so that others consider it from a different perspective.

Leadership Insight: Explore underlying needs

When we are negotiating, what we tend to do, is get caught up in our positions — the specific things that we want — instead of getting caught up in what the underlying needs are that are being met by the position. I was negotiating to be hired to come run a diversity workshop, and the person who was hiring me said, "Can you give us a bunch of references for times you've run this exact workshop?" Well the answer was, no. I had never run the workshop before; I was going to develop it for this client. If I'd just come out and said, nope, sorry, I can't give you references — disastrous. Instead, I went to find the underlying need.

What I said to him was, actually this is the first time that I have run this type of workshop, could you help me understand what it is you are trying to ensure by asking for the references? Do you want to be guaranteed that I can do a good job? Do you want to know that you won't be embarrassed? Do you want to know what kind of results I can produce?

He told me which things he needed. He said, "I want to make sure I won't be embarrassed." I said, "Great. Can I show you a video of previous workshops I've run? Although you won't see the exact content I will be doing, you'll get an idea of my style, my professionalism, and the things that I can do."

In the end I was able to get the contract without giving him references for this particular workshop itself. Instead, by being able to take his needs one by one — the need to know that I was professional, the need to know that I had high-quality content, and the need to know that I would do a good job and make him look good — and address those one by one using other methods, either testimonials or an actual run-through in front of him, he could see my style, etc.

In any negotiation you want to be armed with the question, "What's really behind what you are asking for?" What will that do for you?" So, you want references, what will references do for you? They'll give you these assurances, then you can address the assurances themselves in ways other than what's being directly asked for. That, for me, is one of the most powerful negotiating tips that there is — to get behind the positions to understand the needs.

Ask questions to uncover the motivations behind people's positions.

Stever Robbins
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A veteran of nine startups, including FTP Software, Intuit, and HEAR Music, he has helped executives navigate their organizations and themselves through building high-growth companies.

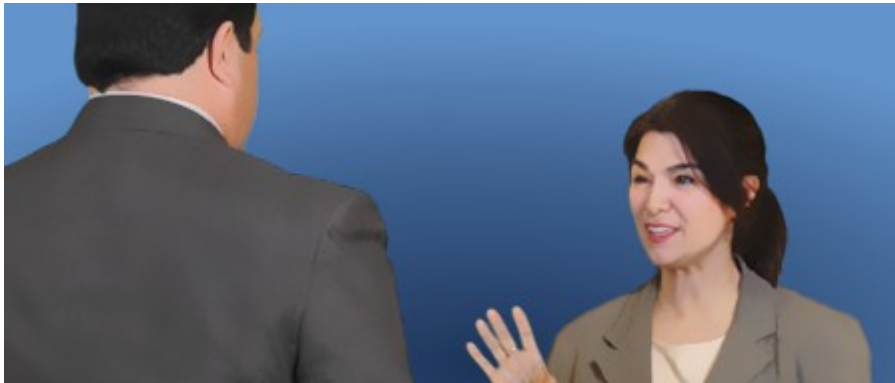
He is an expert on personal productivity and writes and hosts the Get-It-Done Guy podcast on personal productivity.

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Tactics for getting off to a good start



- **Set a positive tone with your opening remarks.** Express respect for the other side's experience and expertise. Frame the negotiation as a joint endeavor, and emphasize your openness to the other side's interests and concerns.
- **Review the agenda.** This helps insure that everyone agrees on the issues to be covered.
- **Discuss your expectations regarding process.** People often have different assumptions about how the negotiation should work. Some expect proposals to be made at the outset, while others expect an open discussion of the issues first.
- **Offer information.** Voluntarily explain some of your interests and concerns first as a good-faith measure. If the other side does not reciprocate, however, be cautious about providing additional information.

Tactics for distributive negotiations

In most distributive negotiations, a gain by one side represents a loss to the other side. You can use several techniques to achieve gains and prevent losses:

- **Do not disclose any significant information about your circumstances.** It is best if you do not reveal why you want to make a deal, your real interests or business constraints, your preferences among issues or options, or the point at which you'd walk away from the table. It is advantageous to let the other side know that you have options if the deal falls through.
- **Learn as much as possible about the other side.** Investigate why they want to make a deal, their real interests and business constraints, and their preferences among issues or options.
- **Establish an anchor.** The first offer often sets the bargaining range. Studies show that negotiation outcomes often correlate to the first offer, so start at the right place. It's best to anchor when you have a strong sense of the other side's reservation price; your proposal should

be at or just a bit beyond that number. Don't be too aggressive or greedy or the other side may walk away. Always be prepared to articulate why your offer is justifiable.

- **Divert the discussion away from unacceptable anchors.** If the other party establishes an anchor first and it is unacceptable to you, steer the conversation away from numbers and proposals. Instead ask questions that focus on the interests and motivations underlying the other side's position. Such questions might reveal new information that can help you reposition your proposal.
- **Make cautious concessionary moves.** Many interpret a large concession as an indicator that you're capable of conceding more. A small concession is generally seen as an indication that the bidding is approaching the reservation price and that any succeeding concessions will be small.
- **Use time as a negotiation tool.** Attach an expiration date to any offer to buy. Otherwise, the seller may put you off and wait for a better offer.
- **Offer multiple proposals, and consider packaging options.** Offer at least two proposals, and package options when possible.

For example, you might offer \$18,000 for a boat and trailer as a package or \$16,000 for the boat alone. With options, the other party won't feel stuck with an ultimatum. Also, the other party may compare the proposals to each other instead of to his or her original goals, which can work to your advantage.

- **Signal your interest in closing the deal.** Let the other party know when you are close to an acceptable deal so that he or she won't expect many more concessions.

Tactics for integrative negotiations

“ The most important trip you may take in life is meeting people half way. ”
 –Henry Boyle

Integrative negotiations rely on collaboration and information exchange to create and claim value so consider using the following tactics:

- **Inquire about the other side's interests.** Ask what the other party's needs, interests, and concerns are, and determine the party's willingness to **trade off** one thing for another. Listen carefully, because the responses you get can reveal valuable information that can help you. Be forthcoming about your own needs, interests, and concerns.
- **Provide significant information about your circumstances.** Explain why you want to make a deal. Talk about your real interests, preferences among issues or options, and business constraints. Reveal any additional capabilities or resources you have that might meet their interests and could be added to the deal.
- **Look for differences to create value.** When you and the other party understand each other's needs and interests, it's more likely that you'll be able to reach a mutually satisfying outcome. Sometimes such an outcome can be carved from the differences between you. By trading on differences, you create value that neither of you could have created on your own.

For example, consider Martha, who owns both a retail store and a restaurant. She is negotiating with an interior designer about renovating her restaurant. She agrees to pay a somewhat higher price than planned for the restaurant design; in exchange, the designer will order fixtures and furnishings for the retail store at his trade discount. The owner would not otherwise have ready access to these discounts—yet providing them costs the designer nothing. Value has been created for both sides.

- **Take your time.** Don't be tempted to close the deal too quickly, especially when the first acceptable proposal is on the table but little information has been exchanged. Spend more time finding a deal that is better for both sides. Signal that the proposal on the table is worth considering, but also state that it may be improved by learning more about your respective interests and concerns.

Framing



Framing, or how you choose to describe a situation, is useful in both distributive and integrative negotiations. A frame can determine how negotiations will ensue. It orients the parties and encourages them to examine the issues within a defined perspective. How one side frames a solution can determine how others decide to behave. Generally, you can use one of these frames:

- **Present your proposal in terms that represent a gain instead of a loss.** Instead of saying "My current offer is only 10% less than what you are asking," say "I've already increased my offer by 10%."
- **Use risk aversion to your advantage.** Risk-averse people tend to prefer the certainty of a smaller offer to the uncertainty of a larger future gain.

For example, "I know that you want \$400,000 for that property, and you may get it someday. However, I'm willing to pay \$350,000 for it today. Can we make a deal?"

Continual evaluation

“Never cut what you can untie.”
–Joseph Joubert

Many managers think of negotiation as a linear process of preparation, negotiation, and eventual agreement or failure. But some negotiations are complex and require succeeding rounds. New information may appear at various points and/or different parties may offer concessions or heighten their demands.

More complex negotiations often require the nonlinear approach shown in the illustration below. Preparation is followed by negotiation, which produces outcomes and information that require evaluation. The outputs of evaluation then lead to a new round of preparation and subsequent negotiation. This process continues until the parties reach an agreement or walk away from the negotiation.

In this situation, it's important to integrate the new knowledge and circumstances into your strategy and readjust your course as you proceed.

Activity: Pick the best tactic

Your negotiating tactics depend on what type of bargaining situation you're in and where you are in the negotiating process. Pick the right tactic, and you boost your chances of success.

Caitlyn called together the functional leaders from her unit to negotiate first-quarter budget approvals for their teams. Knowing that budget negotiations could often become tense, she braced herself for a grueling series of bargaining sessions.

Which tactic should Caitlyn use to begin the negotiations?

- ☐ Establish an anchor—budget figures that set a bargaining range for the meetings' participants

Not the best choice. These negotiations are just getting started, so Caitlyn should use tactics specifically geared toward getting negotiations off to a good beginning. Establishing an anchor is not one of those tactics.

- ☐ Provide extensive information about the constraints she's facing in setting the budget

Not the best choice. These negotiations are just getting started, so Caitlyn should use tactics specifically geared toward getting negotiations off to a good beginning. Providing extensive information about her circumstances is not one of those tactics.

- ☐ Review the agenda for the initial series of meetings

Correct choice. Since these negotiating sessions are just getting started, Caitlyn should use tactics specifically geared toward getting negotiations off to a good beginning. Reviewing the agenda is helpful because it ensures that everyone agrees on the issues to be covered during the meetings.

Ned, a manager at a highly respected firm, has been negotiating with Tanya, a newly established consultant, to produce several advertising campaigns. He believes that the best negotiations are win-win, not win-lose.

Which of the following is a tactic Ned would likely use at this point in his negotiations with Tanya?

- ☐ Ask Tanya what her biggest challenges are

Correct choice. Ned prefers to engage in integrative negotiations, which rely on collaboration and information exchange to create forms of value that each party appreciates. By asking Tanya about her challenges, Ned can learn more about her potential interests. This can help him identify trade-offs that might create forms of value important to each of them. For example, Tanya might be willing to charge Ned a lower fee if he allows her to list his company's name in her client roster—something that a newly established consultant might value highly.

- ☐ Discuss his expectations regarding the negotiation process he and Tanya will use
Not the best choice. Though agreeing on process can be helpful in a negotiation, this tactic is most useful for getting a negotiation off to a good start. In Ned and Tanya's case, the negotiation has already begun.
- ☐ Take care not to disclose significant information about his needs and concerns
Not the best choice. This tactic is best used during distributive negotiations, in which a gain by one side represents a loss to the other side. Ned is striving to create another type of negotiation that requires different tactics.

Penny has been asked to sell her department's used office equipment to startup companies. She wants to get the best prices possible on each piece of equipment.

Which of the following would be the best tactic for her to use?

- ☐ Frame each price negotiation as a joint endeavor
Not the best choice. Though this tactic can be useful in getting a negotiation off to a good start, Penny should focus more on tactics designed especially for the type of negotiation (distributive) in which she will be participating.
- ☐ Make small concessions on prices that potential buyers propose
Correct choice. Penny is likely facing a distributive negotiation, in which a gain by one side represents a loss to the other side, and the relationship between seller and buyer is short term. In this case, making cautious concessionary moves can help her avoid giving the impression that she's willing to concede more. This tactic thus can increase her chances of selling the equipment at the highest possible price.
- ☐ Look for differences that can create a win-win situation in which both parties create and claim equal value
Not the best choice. Penny is engaging in a distributive negotiation, in which a gain by one side represents a loss to the other side, and the relationship between seller and buyer is short term. Looking for differences on which to build shared value is a tactic that's more appropriate for another type of negotiation.

Die-hard bargainers



They are out there—the **die-hard bargainers**, for whom every deal is a battle. How can you work with such highly competitive negotiators? Here are some suggestions:

- **Know their game.** Don't let die-hard bargainers intimidate you. Anticipate unreasonable offers, grudging concessions, and posturing. Don't let this behavior prevent you from analyzing and improving your BATNA. Take the time to set your reservation price as well as assessing theirs.
- **Be guarded in the information you disclose.** Disclose only the information that cannot be used to exploit you.
- **Suggest alternative packages or options when they are unwilling to share information.** When you present options and packages, the other side tends to ask questions to clarify and compare the offers. In doing so, it often unknowingly reveals information that can help you better understand its interests and concerns.
- **Be willing to walk away.** If the other party sees that its difficult behavior may result in your walking away, it will be more willing to back down.

Lack of trust

You suspect the other side is lying or **bluffing**. At best, these negotiators are just telling you what they think is needed for an agreement, and have no intention of following through on their promises. How should you respond?

- **Emphasize the need for integrity.** Stress that the deal is predicated on their accurate and truthful representation of the situation.
- **Request documentation.** Require that they provide back-up documentation, and that the terms of the deal be explicitly contingent on its accuracy.
- **Insist on enforcement mechanisms.** Add contingencies, such as a security deposit, escrow arrangement, and/or penalties for noncompliance (or perhaps positive incentives for early performance), into the deal.

Potential saboteurs of a good deal

Anytime people perceive themselves as losers in the outcome of a negotiation, expect resistance and possible sabotage. Stakeholders, employees, and customers can all be potential **saboteurs** if they have the power to block your negotiations.

Resistance may be passive, in the form of noncommitment to the goals and the process for reaching them, or active, in the form of direct opposition or subversion. Particularly in multiparty negotiations, certain stakeholders may prefer "no deal" to the outcome. Anticipate and prepare for this possibility.

- **Identify potential saboteurs.** Map out the stakeholders, their respective interests, and their power to affect the agreement and its implementation.
- **Consider augmenting the deal.** Include something in the deal to benefit stakeholders who would otherwise have the incentive to sabotage.

Differences in gender and culture

People often attribute a breakdown in negotiation to gender or cultural differences, when these may not be the cause of the problem.

For example, you might think, "The problem is that she's a woman and can't deal with confrontation." Or, "He's late because that's how Italians are with time."

When you attribute these problems to gender or culture, you may miss the true issue—the female negotiator is signaling her company's resistance point, or there are efficiency and production problems at the Italian company.

If you are having difficulty understanding or working with someone from another culture or the opposite gender, consider these guidelines:

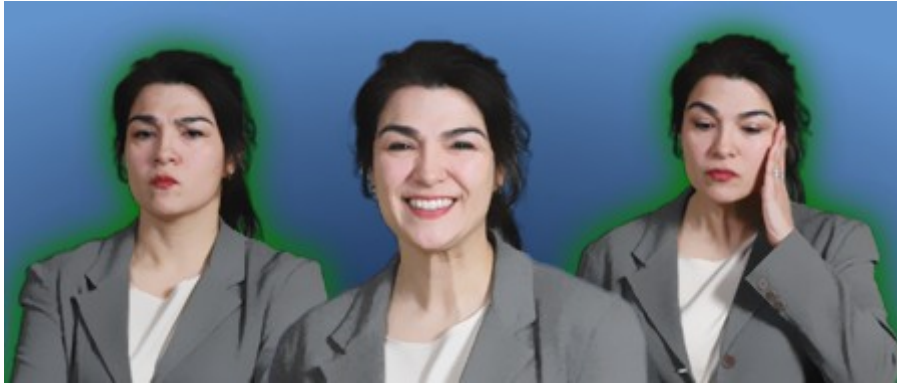
- **Look for a pattern to diagnose the problem.** What kinds of issues create difficulties? What types of misunderstandings have you had?
- **Consider what assumptions each party has brought to the table.** Are they valid? Are any related specifically to the negotiation at hand or to the particular company, and not to differences in culture?
- **Research possible areas of difference.** Review any available literature about the other party's culture and how it compares with yours.
- **Use what you've learned to establish more comfortable communication.** Adjust your communication style or articulate the differing norms or assumptions you believe to have been the source of the problem.

Difficulties in communication

Communication is the medium of negotiation. You cannot make progress without it. When you suspect that a negotiation is disintegrating because of communication problems, try the following steps:

- **Ask for a break.** Take some time to clear your head and refocus. This will help you regain your objectivity.
- **Look for a pattern.** Replay in your mind what has been communicated, how, and by whom. Does the confusion or misunderstanding arise from a single issue? Did you have assumptions or expectations that were not articulated? Did the other side?
- **After the break, raise the issue in a nonaccusatory way.** Offer to listen while the other side explains its perspective on the issue. Listen actively, acknowledging their point of view. Explain your perspective. Then, try to pinpoint the problem.
- **Switch spokespeople.** If the spokesperson of your negotiating team seems to frustrate the other side, have someone else act as a spokesperson. Ask the other team to do the same if its spokesperson irritates your party.
- **Jointly document progress as it is made.** This is particularly important in multiphase negotiations. It will solve the problem of someone saying, "I don't remember agreeing to that."

Staying poised



Negotiation is a process that requires you to remain calm, composed, and focused. Unfortunately, even the most even-tempered people can end up with poor outcomes because they fall prey to mental errors. This section describes some mental errors that are frequently made during negotiations, and how you can avoid and correct them.

Irrational escalation

Irrational escalation, the continuation of a selected course of action beyond the point where it continues to make sense, is an error sometimes made by otherwise levelheaded businesspeople when they get into difficult and competitive negotiations. Some make this error because they cannot stand losing. Others get caught up in "auction fever," irrational behavior that surfaces when auctions and other bidding contests pit individuals against each other. To avoid irrational escalation:

- **Know your BATNA before you negotiate.** Remind yourself that money you don't throw away on an overpriced deal is money you'll have available to invest in your other alternatives.
- **Prior to negotiations, work with your team to set a reasonable reservation price.** If you decide on a number as a team, you'll be less tempted to escalate your price during a negotiation. In the event that new information arises, objectively recalculate your reservation price with your team.
- **Set clear breakpoints.** During the negotiation, periodically stop and assess your situation to insure you aren't getting off track.

Key Idea: Partisan perceptions

Key Idea

Partisan perception is the psychological phenomenon that causes people to perceive "truth" with a built-in bias in their own favor, or toward their own point of view.

For example, loyal fans of a team may perceive that a ruling made by an umpire was unfair to their side.

To avoid partisan perception, recognize it as a phenomenon, and:

- **Imagine yourself taking the other side's position.** Try to see the issue from the perspective of the other party. This will help you see the other side's partisan viewpoints.

- **Carefully frame the problem.** When conveying your position to the other party, pose the problem as it appears to you, and ask how they would view it.
- **Pose the issue to others.** Explain the situation without telling them which side you are on and solicit their opinions.
- **Involve a neutral third party.** Suggest bringing in a neutral third party or expert to provide unbiased guidance.

What is truth and what is opinion? Separating the two will make you a better negotiator.

Unreasonable expectations

Some people enter into negotiations with unreasonable expectations and, as a result, eliminate any zone of possible agreement.

For example, consider a first-time author who submits her book proposal to a publisher. The publisher likes her proposal but won't agree to her demand of a \$100,000 advance. Instead, the publisher offers her a \$10,000 advance. With the publisher's reservation price of \$10,000 and the author's of \$100,000, there is no overlap in which an agreement can be struck and the negotiations fall apart.

To avoid this situation:

- **Explain the rationale behind your thinking.** If the other party presents unrealistic expectations, explain *why* these demands are not reasonable.

For example, the publisher could have talked with the author about the number of copies that would need to be sold in order to earn \$100,000 in royalties, and how past sales for similar books have never attained those figures. This explanation might have induced the author to reduce her reservation price.

- **Provide new information.** If you believe the other party should increase its reservation price, provide factual information that will help persuade that party to do so.

For example, if the author had a letter from someone who had already committed to purchasing a large number of copies of her book, this could have helped change the publisher's expectation of future sales and his reservation price.

- **Make sure your expectations are realistic.** To avoid forming unrealistic expectations, take a look at similar situations to bring your expectations in line with fact-based reality.

Overconfidence



Confidence is an important attribute during negotiations. It provides the courage needed to tackle difficult and uncertain ventures. Too much confidence, however, can set negotiators up for failure. It encourages them to overestimate their strengths and underestimate their rivals, and makes them blind them to dangers and opportunities.

Avoid the potential dangers of overconfident actions and decisions by asking one or more objective outsiders to periodically examine your key assumptions about your position, the other party, and the deal on the table.

Key Idea: Unchecked emotions

Key Idea

People tend to assume that emotion and irrationality occur in personal negotiations, but rarely in business. This is not so. Some people become angry and emotional in difficult transactions. When high emotion takes control of a negotiation, the parties often stop focusing on logical and rational solutions, and the dialogue falls apart. To overcome unchecked emotion and irrationality, consider using one or more of these strategies:

- **Suggest a "cooling-off" period.** If you find that high emotions are making the proceedings too difficult, call for a break in the negotiations. Some distance from the discussion often helps restore emotions and objectivity.
- **Determine what is making the other party angry.** Try to understand what this deal or dispute means to the other party. Listen carefully to their comments and try to determine what is fueling the anger.
- **Be responsive.** Once you understand what is making the other party angry, express empathy.
- **Focus on the issues.** People can lose their focus when they feel personally attacked, deceived, humiliated, or disrespected. Keep the discussions impersonal by staying focused on the issues.
- **Enlist an objective moderator.** If you cannot make progress with the other party due to high emotions, suggest bringing in a neutral facilitator.

Unchecked emotions are a barrier to negotiation. What strategies can you use to keep your emotions in check?

The effective negotiator



What makes an effective negotiator? Many of the skills and methods that talented negotiators use are developed over time with lots of practice. With training and experience, you can develop and strengthen your negotiating skills too. To increase your effectiveness as a negotiator, focus on the following skills:

- **Align negotiating goals with organizational goals.** An effective negotiator operates within a framework that supports the strategic goals of his or her organization.
- **Prepare thoroughly.** An effective negotiator collects as much information as possible in advance of deliberations, is organized for all meetings, and uses each negotiating phase to prepare further.
- **Determine the other side's BATNA and reservation price.** An astute negotiator uses effective dialogue with the other party and away-from-the-table detective work to ascertain the other side's BATNA and reservation price.
- **Identify the interests of both sides and develop value-creating options.** A sharp negotiator can help the other side see the value of sharing information and expanding value opportunities.
- **Separate personal issues from negotiating issues.** An accomplished negotiator knows that the issues being discussed are not about him or her—or even about the individuals sitting across the table. Instead, an accomplished negotiator operates with objective detachment and focuses on producing the best possible outcome.
- **Recognize potential barriers to agreement.** Barriers aren't always obvious. A skillful negotiator ferrets them out and finds ways to neutralize them.
- **Know how to form coalitions.** Not every negotiator is dealt a winning hand. The other side often has greater power at the table. A good negotiator, however, knows that a coalition of several weak players can often counter that power. More important, he or she knows how to build such a coalition on a foundation of **shared interests**.
- **Develop a reputation for reliability and trustworthiness.** The most effective negotiations are built on trust. Trust formed through one phase of negotiation pays dividends in the next. A good negotiator practices ethical behavior and follows through on all promises.
- **Recognize relationship value.** Some negotiations, usually integrative, involve parties that have important relationships that they want to retain.

For example, managers want to maintain positive relationships with their direct reports, manufacturers want to preserve strong relations with their key suppliers, and so forth.

An effective negotiator recognizes the importance of long-term relationships and knows how to retain them by creating trust, communicating openly, admitting to and addressing mistakes, and asking for feedback.

Activity: Help Ben negotiate effectively

Negotiating effectively is a learned skill. Practice your negotiating skills by choosing the best strategies.

Ben supervises Howard, a top producer in the department. The two have built a positive working relationship built on mutual respect and trust. Ben wants to promote Howard to a managerial role. But when he broaches the subject with Howard, the following dialogue occurs:

Howard: Thanks for your confidence in me, Ben. But I actually had something very different in mind—reducing my work hours

Ben: Whoa—that's a surprise. To be honest, I'm worried that you might not be as committed to the company as I thought.

Howard: Wait a minute: What makes you say that? I don't think that's quite fair.

Which should Ben do to effectively negotiate Howard's work arrangement at this point?

- ☐ Ask several other managers to let Howard know how much he's valued at the company
Not the best choice. Forming a coalition in this way might be more appropriate if Howard had more power than Ben. The way in which this negotiation has unfolded so far suggests the need for another type of tactic from Ben.
- ☐ Detach emotionally and focus on producing the best possible outcome
Not the best choice. Howard and Ben already have a longstanding working relationship built on mutual respect and trust. The way in which this negotiation has unfolded so far suggests the need for another type of tactic from Ben.
- ☐ Separate personal issues from negotiating issues
Correct choice. By commenting on Howard's commitment to the company, Ben has turned this negotiation into a personal issue. Instead, he should remind himself that this negotiation is not about Howard's dedication—it's about creating value for both sides. Ben needs to start operating with objective detachment and focus on how to produce the best possible outcome.

Ben: What has caused you to think about reducing your work hours?

Howard: Well, I'd like to spend more time with my son. Since my divorce, he's started having trouble at school.

Ben: Oh—I understand. But our department could really benefit if you took this new position. What if you accepted the promotion and still worked a normal work week but reconfigured the days differently? For example, you could work slightly longer days Monday through Thursday and then leave early on Friday.

Howard: I don't think that would work. I need to be able to spend more time with Jimmy throughout the week, not just on Fridays. Anything less than that, and I may need to look for work elsewhere.

What should Ben do at this point to effectively negotiate Howard's work arrangement?

☐ Take a tougher stance: Let Howard know that employees who work highly unconventional schedules tend not to go far in the company

Not the best choice. By taking this tactic, Ben is making the mistake of being a die-hard bargainer—for whom every deal is a battle. Die-hard bargaining seldom leads to the creation of value for all parties.

☐ Broaden the possible solutions to the problem to explore additional ways to meet Howard's and the department's needs

Correct choice. By expanding value opportunities, Ben stands a better chance at arriving at a mutually agreeable arrangement in his negotiation with Howard.

☐ Assume that Howard is bluffing in his reference to finding work elsewhere. Continue advocating his idea about reconfiguring Howard's work days, and offer a higher salary.

Not the best choice. Since Ben and Howard already have a trusting relationship, Ben should assume that Howard is being honest with him. He should take seriously Howard's comment about finding work elsewhere if they cannot arrive at a satisfactory work arrangement.

Ben thinks about other work arrangements, including job sharing, that might meet both Howard's and the department's needs. Their negotiation continues:

Ben: What if you shared the job with Sheila? She also wants a reduced workload. You could each work two days of the week and overlap on a third day to update each other.

Howard: That could be a great idea. My only concern is that I couldn't afford to take *too* much of a reduction in pay for the reduced workload.

What should Ben do at this point to effectively negotiate Howard's work arrangement?

☐ Explain that Howard would need to agree to the same proportionate reduction in pay that other job sharers have. Point out how this policy supports fairness and the company's fiscal goals.

Correct choice. Howard has unrealistic expectations in assuming that he can earn a higher proportion of his original compensation than other job sharers do. By explaining the rational behind his thinking, Ben might induce Howard to agree to more reasonable compensation for the shared job.

☐ Accept that he can't seem to win in negotiating with Howard, and conclude that no mutually satisfactory deal is possible. Remind himself that it's important to know when to walk away from a negotiation.

Not the best choice. Ben perceives himself as having lost this negotiation, even though he and Howard could still explore additional work arrangements and terms. By seeing himself as the loser and opting out of further negotiating, Ben unnecessarily closes off the possibility of a mutually agreeable arrangement.

☐ Be confident that the company could make a special exception with Howard's compensation once Ben explained how valuable Howard is to the department

Not the best choice. Ben is overconfident in his ability to persuade the company to make a special exception for Howard. Overconfidence could blind Ben to the problems that

might arise if he asked the company to make this exception.

Leadership Insight: Play your cards right

In 1983, Charles Schwab was trying to expand their business. They actually started in 1975. They were trying to grow across all 50 states at the time. In order to do it, they were trying to do an initial public offering. They wanted to go public and raise a lot of capital and fund this expansion. Things didn't work out with the IPO, and they didn't work out at the very last minute. So Schwab was left with these pretty aggressive plans and not a lot of capital. At the time, the Bank of America was the one suitor that had over \$50 million of cash that they were willing to spend on Schwab and provide the capital that they needed to grow the business.

So Chuck sold the company to Bank of America. Part of the deal was he stayed with the company—he had a seat on the board of the Bank of America, and they would try to integrate the two operations over time. Over time that integration didn't quite work the way, I think, they wanted it to in the beginning. Very different cultures. The bank was a bank—they were bureaucratic, they were large. Schwab was a very entrepreneurial, very dynamic type of company. They just didn't mix very well.

Chuck had also been paid in stock, Bank of America stock. The Bank of America stock over the next few years didn't perform very well. And so the actual money that the company was valued at and what he'd received, along with the lack of fit and the lack of entrepreneurial ways of looking at the business, really started to bother him. I'd say around '85 or '86, he wanted to buy the company back.

At that time, Bank of America had gotten into their own problems and they were looking for cash. So in effect, the dynamic that got them into a merger and acquisition in the first place had shifted. The bank was now looking for capital, Chuck wanted to buy the company back. We set about trying to value the company, figure out how much it was worth, and start the negotiations with the bank.

It probably took place for three or four months, the actual negotiations. At the end of the day, they had a deal done. And the bank said, "Here's how much we think the company is worth. If you want to pay us that, you can buy it back." Chuck said, "Fine, but I'm going to pay you X minus many millions of dollars because you think it's worth this, I think it's worth this, and the difference is whether or not I go along with the company. So if you want to buy Charles Schwab and Company without Charles Schwab, or sell it to someone, that's a very different price point."

At the end of the day the bank sold it, they sold it to Chuck, at Chuck's price, and he took the company back and took it public about nine months later. I think the negotiation lesson from that is twofold. One, he had a plan. He knew exactly when he was going to play his cards, and his trump card being his own participation in this.

I think the timing of that was pretty important, because one of the things that happens in a protracted and very complicated negotiation is I think there's an emotional sunk cost kind of investment that goes into it. At some point it's very difficult to pull yourself out. You've

invested so much of yourself and so much of your time, your management time and all, that to actually walk away from that deal becomes harder the more you do that. I think he was counting on that to happen.

Putting his card — his face card, if you will — on the table at the very end was a brilliant stroke. I think he was planning on doing it all along, but he knew exactly when to do it.

When he did it, there was very little the Bank could do because they knew that they had a company that was worth \$280 million, maybe, with him attached to it, but it might be worth only \$230 million if he's not with it. If he's not with it, it's only worth that to somebody else, too. So it was a pretty clever way to negotiate.

During high-stakes negotiations, it is vital to have a plan.

Ray Carvey

Executive Vice President, COO and CFO, Harvard Business Publishing

Ray Carvey is the Executive Vice President, Chief Operating Officer, and Chief Financial Officer at Harvard Business Publishing. In 1995, he joined the company as Chief Financial Officer.

He is currently responsible for all enterprise-wide functions, including Finance, Enterprise Technology, Creative Services, Business Intelligence, Business Process Management, and International Sales and Marketing. He is the company's primary liaison with Harvard Business School on all financial and reporting issues and is also responsible for Global Strategy.

Prior to joining Harvard Business Publishing, he was Vice President of Finance and Administration and Chief Financial Officer of Morgan Memorial Goodwill Industries, Inc., Chief Financial Officer of Blyth Software, and Corporate Treasurer of Ingres Corporation. Ray also worked at Charles Schwab and Company and DiGiorgio Corporation.

He earned both his undergraduate degree and his Master of Business Administration at Boston College.

Key Terms

BATNA. The acronym for "*best alternative to a negotiated agreement*." Knowing your BATNA means knowing the options of what you will do or what will happen if you do not reach agreement in the negotiation at hand.

For example, the BATNA for a consultant negotiating with a potential client about a month-long assignment might be to spend three weeks developing marketing materials for a different client.

Bluffing. When one party in a negotiation indicates that it may be willing to do or accept something that it actually has no intention of following through on.

For example, a tenant may bluff that he will not renew his lease unless certain improvements are made to his office space.

Die-hard bargainers. People for whom every negotiation is a battle.

Distributive negotiation/zero-sum negotiation. One of two types of negotiation, this type occurs when the parties compete over the distribution of the benefits of an agreement.

For example, the sale of a house involves two parties who want the best for themselves at the expense of the other.

Framing. How one chooses to describe a situation. It orients negotiating parties and encourages them to examine the issues within a defined perspective. How one side frames a solution can determine how others decide to behave.

Integrative negotiation/win-win negotiation. One of two types of negotiation, this type occurs when the parties cooperate to achieve maximum mutual benefit in an agreement. Long-term partnerships and collaborations between colleagues are often characterized by integrative negotiation.

Interests. The goals underlying a party's negotiation position.

Irrational escalation. The continuation of a selected course of action beyond the point where it continues to make sense.

Multiparty negotiations. Negotiations that involve more than two parties. Such negotiations can differ significantly from two-party negotiations, especially when coalitions—alliances among parties that wield less power separately than they do together—form among the parties.

Multiphase transactions. Negotiations that are implemented in phases, or that have the prospect of subsequent involvement in the future. The context of the negotiations allows parties to negotiate based on follow-through and continuing communication.

Natural coalition. A group of allies who share a broad range of common interests.

Negotiator's dilemma. The tension caused by the negotiator's attempt to balance competitive strategies—trying to discern when to compete where interests conflict, and when to create value by exchanging the information that leads to mutually advantageous options.

Partisan perception. The psychological phenomenon that causes people to perceive truth with a built-in bias in their own favor, or toward their own point of view.

For example, both teams in a football game may perceive that the referee was unfair to their side.

Positions. What the parties in a negotiation are asking for—in other words, their demands.

Reservation price/walk-away. The least favorable point at which a party would accept a negotiated deal. The reservation price is derived from, but is not usually the same thing as a BATNA.

Saboteurs. Internal or external stakeholders who have the power and/or intention of blocking a deal.

Shared interests. Part of an integrative, or win-win, strategy, this tactic involves appealing to interests or goals that are shared by both parties in a negotiation.

Single-issue coalition. A group whose members may differ on other issues, but who nevertheless unite (though often for different reasons) to support or block a certain particular issue.

Strategy. A planned sequence of how one is going to approach a negotiation, including what the negotiator will offer and ask for (give and get).

Tactics. The specific methods for implementing a strategy.

Trade off. To substitute or bargain one issue for another; this tactic is often used in sales negotiations.

Value creation through trades. The trading of goods or services that have only modest value to their holders, but exceptional value to the other party.

ZOPA. The acronym for the "zone of possible agreement." This is the area in which a potential deal can take place. Each party's reservation price defines one of the boundaries of the ZOPA. The ZOPA itself exists, if at all, in the overlap between the parties' reservation prices.

Frequently Asked Questions

When asked by the other side to name a dollar figure, is it okay to state my range?

Do not state your range unless you will be happy with a deal that is at the least favorable end of that range.

For example, if you tell someone that you would pay \$20,000 to \$25,000 for a piece of property, rest assured that you will pay at least \$25,000.

The only reason to mention a range is to discourage the other side from pushing you beyond it, and this should happen toward the end of the negotiating process.

For example, if after several rounds of back and forth on a dollar figure, you are at \$23,000, and the other side is at \$30,000 and seems to be pushing for \$28,000, you could say, "My preferred range walking into this negotiation was \$20,000 to \$23,000, but not above \$25,000." The seller may be able to accept \$25,000 more easily because he will feel he has pushed you to the top of your range.

Is it smart or fair to bluff?

It's OK to bluff but it's not OK to lie. Lying about a material fact in a negotiation is unethical and is almost certainly grounds for legal action. In certain circumstances, creating a false impression or failing to disclose material information may be a formal ethical breach and actionable as well.

As long as what you bring to the table has real value, you need not reveal all the circumstances making you desperate for a deal. Thus, if you are negotiating the terms of a job offer, there is nothing wrong with describing the major projects for which you have been responsible, and the likely next step on the corporate ladder in your current company. You need not mention that the new division president is impossible to deal with or that one or two projects have not turned out well. This is not hard bargaining; it is effective self-advocacy or salesmanship.

Should I ever tell the other side my real bottom line?

The only time it makes sense to tell the other side your real bottom line is when you've reached it or are about to reach it. If you do reveal your bottom line, make sure you call it just that, with appropriate emphasis or firmness. Otherwise, the other side may not take you seriously, and may view that number as just another step on the way to a final deal.

In a complex deal, is it better to reach agreement issue by issue, or wait until the end?

Every deal is different, but it's generally better to aim for tentative agreements, or agreed-upon ranges, for each issue one at a time. This gives you the necessary flexibility to make value-creating

trade-offs between issues and to create alternative packages of different options.

Is it better to deal with difficult or easy issues first?

In general, dealing with easier issues first helps build momentum, deepens the parties' commitment to the process, and enables the parties to become familiar with each other before discussing the tough issues. In some instances, however, you may want to begin with a more difficult issue. If you cannot reach tentative agreement on the difficult issue(s), then you will not have wasted time on the smaller issues. It is also true that once the most difficult issue is resolved, smaller issues often fall into place more easily.

How should I respond if the other side seeks to change something after a deal has been reached?

Chances are that whenever a deal is reached, one or both of the parties become cursed with the thought that they could have gotten more. If the other side seeks to change one item, express some surprise or disappointment. Explain that if they must make a change, then they must understand that you will want to open up other issues as well. You agreed to a total package and one change affects that package. If they agree to renegotiate other issues, then they are probably sincere, and you should proceed with the renegotiation. If they reconsider and withdraw the request for change, then they were just testing you. If they insist that they must have this change and no others, you can express dismay, but you must decide whether the adjusted deal has sufficient value for you to agree.

What should I do when the negotiator on the other side has an outburst?

You need your counterpart to be rational and in control of his emotions. Don't respond in kind; instead, try to help him regain control.

- Sit quietly. After he has stopped shouting, ask if there is anything you have done to make him angry. Listen, calmly and actively. Resume negotiations with a calm voice.
- If the other party's outburst persists, get up and turn to leave the room. As you get to the door, calmly explain that you understand that something has made him angry, but you can't continue to negotiate if such an outburst might occur again. Suggest that he calm down. You might also say that you need time to calm down after hearing his outburst. Suggest that he call you in a day or two if he wants to continue the negotiation.

If his shouting was intended to get you upset, don't reward that strategy. Think seriously about walking away from the deal. Dealing with this person in the future may not be worth the headache. Depending on the situation, you might contact someone else in the company to suggest that another negotiator be assigned to the deal.

Is it essential to negotiate face-to-face?

If the negotiation is over a simple issue, where personal communication is not likely to matter, face-to-face negotiations are not necessary. If the deal is more complicated or if you sense the other side may be tempted to lie, it is better to negotiate face-to-face. Some research indicates people are less likely to lie in person, perhaps because they fear that the other side will detect it. When you are in a face-to-face negotiation, you're likely to pick up the nonverbal cues that indicate something is more important than the other side is telling you. On the phone, you may be able to interpret tone of voice; however, some recent research indicates that people are more likely to bluff in this situation.

E-mail or other written messages occasionally result in disputes and impasses. The person who receives a written message may interpret a comment negatively when the sender did not intend it that way, and may respond to the original sender in kind.

How should I react when the other side opens with a very unreasonable number?

Don't counter with an equally unreasonable number because that will just make the negotiation that much more difficult. Instead, clearly state that the offer is entirely out of the range you had imagined. Then, use one of these strategies:

- Ask questions that make the other negotiator justify the offer.

For example, ask: "How did you arrive at that number?" "What is it based on?" "How can I justify this number to my company?"

- Change the subject by asking about a specific issue. Explain your perspective on the deal and its value. After some discussion, suggest a number you can justify as reasonable, and that is in the favorable end of your range or close to their reservation price, whichever is better. Do not refer to their initial number or proposal.

Overview

This section provides interactive exercises so you can practice what you've learned. These exercises are self-checks only; your answers will not be used to evaluate your performance in the topic.

Scenario

Assume the role of a manager in a fictional situation and explore different outcomes based on your choices (5-10 minutes).

Check Your Knowledge

Assess your understanding of key points by completing a 10-question quiz (10 minutes).

Scenario: Part 1

Part 1

Ann manages the purchasing functions at Sunrise Press, a small company specializing in printing catalogues. To accommodate its expanding business, the company has decided to buy two new printing presses.

Ann determines the technical specifications for the new presses and an optimum budget for the purchase. She then talks to colleagues in the printing industry, shops around for possible manufacturers, and schedules meetings with sales reps from the three most promising vendors. Her goal during the meetings is to determine the best possible deal offered by each manufacturer.

After Ann meets with two of the potential vendors, she schedules her third meeting—with Jim, a young sales rep from Helio, Inc. Helio is the leading printing press manufacturer and the company Ann hopes to select — if she can negotiate a good price.

How might Ann best prepare for her meeting with Jim?

- Ask Helio for several customer references, and phone them before the meeting to find out how their dealings with Helio went

Correct choice.

By talking with references and gathering information, Ann can begin to assess Helio's position, interests, and needs. Additional strategies for assessing Helio's position include: reading trade-journal articles about Helio and, if Helio is a public company, examining its annual report and other public filings.

By comparing Helio's bargaining position with that of Sunrise, Ann can begin to identify the ZOPA ("zone of possible agreement")—the area in which she and Jim may strike a deal that benefits both companies. As a simple example, if Helio isn't willing to sell Sunrise the presses for under \$500,000, and Sunrise isn't willing to pay more than \$550,000, the ZOPA for this deal is somewhere between those two figures.

- Estimate the price she thinks Jim will quote based on Helio's reputation, product quality, and marketing literature, as well as what she now knows about the competition, and prepare her best counteroffer

Not the best choice.

In preparing for a negotiation, Ann shouldn't lock herself into a rigid sequence of moves ahead of time. Instead, she should prepare to be flexible during the negotiating process. She can't know with any certainty at this early stage what numbers will emerge during the negotiation. Flexibility will enable her to explore a fuller range of interests, needs, and concerns and therefore help design a deal that benefits both Sunrise and Helio.

Mutually beneficial agreements are better than distributive or zero-sum agreements (in which the more one party gains, the more the other loses). When two parties strike a deal that they're both happy with, they'll be more likely to forge a strong relationship that will benefit them during later dealings.

- To begin the meeting on a forthright note, prepare an upfront explanation for Jim of what Sunrise's budget is, and why

Not the best choice.

Telling Jim the budget early in the negotiation process would only reveal Ann's reservation price—the least favorable point (i.e., highest price) at which Sunrise would be willing to make a deal with Helio. If Jim knows her reservation price ahead of time, Ann may lose her ability to bargain with him for a lower price. Rather, she should keep her reservation price to herself, and use the figure to estimate a zone of possible agreement. This is the area between her reservation price and what she thinks Jim's reservation price might be.

Scenario: Part 2

Part 2

Ann has determined her own bargaining position and has learned as much as possible about Helio's. A week later, Jim arrives at Sunrise for the meeting. Ann invites him into the conference room, and the two chat casually for a moment. Jim strikes Ann as somewhat aggressive, but no more than many other young salesmen she has met.

The two segue from social chatter into a discussion of possible terms for a deal. When Jim proposes a price for two presses that's significantly higher than Ann's budget, Ann politely counteroffers with a number that's somewhat below her budget. To her surprise, Jim takes offense. "Geez, Ann!" he barks. "I can't believe you're low-balling us like that!" Ann stares at him, wondering how to respond to the sudden communication breakdown.

How should Ann respond to the breakdown in communication?

- She should not let Jim's confrontational style get to her, and should keep moving the bargaining process forward.

Not the best choice.

By ignoring Jim's aggressive style, Ann misses an opportunity to learn valuable information about Helio's position—which she could get by exploring the reasons for the sudden tension with Jim. For example, by asking Jim what's wrong, she may learn that Jim's outburst stems from frustration over financial problems at Helio or from his inexperience as a sales rep. Awareness of such problems might help Ann navigate more knowledgeably through the rest of the negotiation process.

- She should explain why she believes her counteroffer is fair, and mention politely that she feels uncomfortable with his tone.

Not the best choice.

If one party in a negotiation comes across as overly aggressive or highly competitive, the other party should not count on changing that person's behavior or opinion. Instead of attempting to change Jim's position, Ann should find ways to understand his perspective. By asking questions and openly discussing the communication breakdown, she can deepen her knowledge of his assumptions and viewpoint, and may be able to encourage him to take a more cooperative and reciprocal stance.

- She should suggest that the two of them take a break, separately, for a few moments, and then resume the

conversation.

Correct choice.

By asking for a break, Ann can replay in her mind what was said, and how. She can also ask herself whether Jim's seemingly aggressive response arose from unstated assumptions or expectations of which she wasn't aware. And, a break may help Jim "cool down" as well.

When Ann and Jim resume the conversation, she can offer to listen while Jim explains the reasons behind his outburst. Together, the two can pinpoint the source of the tension when they resume the conversation. With a deeper understanding of one another's viewpoints, they can more easily move forward in their negotiation.

Scenario: Part 3

Part 3

After the break Ann discovers, by asking questions, that Jim has been under intense pressure to boost revenues in a territory that is new to him. He thus feels uncomfortable about agreeing to Ann's counteroffer—which is substantially lower than what he had originally proposed.

Ann hopes to find a workable deal with Jim, because she thinks Helio offers the highest-quality presses. So she comes up a bit on her price. But, again, Jim doesn't budge. Ann starts wondering whether the two will ever be able to reach an acceptable deal.

What should Ann do next?

- Consider using some money that was budgeted for other equipment to pay a higher price for the presses than her original budget allowed

Not the best choice.

At some point Ann might like to consider scraping up more money for the presses—but she should first explore other options for finding a deal that's better for both sides. For example, she might agree to a slightly higher price than she originally wanted, but ask for a faster delivery date in return. If Helio can accommodate the faster delivery date without too much trouble or cost, Jim may agree to the deal.

- Offer to provide Jim with the names of other printing companies that are in the market for presses in return for a lower price on Helio's presses

Correct choice.

When a deal seems to stall, you may be able to move things forward again by figuring out an integrative or win-win arrangement. For example, Ann could offer Jim something that he values but that costs Sunrise little.

Because Helio is trying to boost revenues in Jim's new territory, he may place great value on new customer leads. He may decide that selling Ann presses at a lower price than he originally wanted is worth the potential new business he would get in return. But providing such leads would cost Ann little if she named companies that don't compete directly with Sunrise (for example, firms that don't print catalogues).

- Explain that she really can't go any higher on her offer but that she wants to explore other possible alternatives for closing a deal

Not the best choice.

Though it may be tempting to stick to your original offer when a negotiation seems to stall, it's better to try one more strategy: exploring how differences in preferences, resources, and capabilities might yield ideas for a mutually beneficial deal. For example, Ann could offer something that Helio values (such as new customer leads) but that costs Ann little to provide. In light of such an offer, Jim might be willing to come down a bit on his price.

Scenario: Conclusion

Conclusion

By preparing for her negotiating session with Jim, exploring the reasons behind communication breakdowns, and considering various options for designing a mutually beneficial deal, Ann negotiates an attractive agreement with Jim. Both walk away from the deal pleased with the outcome—and confident that they'll enjoy doing business together.

In business, most negotiations can be win-win. That is, both parties' long-term interests benefit from the other's satisfaction. Negotiating deals can be an art. But by practicing several important principles, you can strike satisfying deals and build enduring, positive working relationships with suppliers, customers, and even colleagues.

Check Your Knowledge: Question 1

What is a distributive negotiation?

- A type of negotiation in which the parties compete over the distribution of a fixed pool of value, and any gain by one party represents a loss to the other

Correct choice.

A distributive negotiation is also sometimes referred to as a zero-sum or win-lose negotiation, because a gain by one side is made at the expense of the other.

- A type of negotiation in which the parties cooperate to achieve maximum mutual benefit in an agreement

Not the best choice.

This is the definition of an integrative negotiation, not a distributive negotiation. A distributive negotiation is one in which parties compete over the distribution of a fixed pool of value, and any gain by one party represents a loss to the other. It is also sometimes referred to as a zero-sum or win-lose negotiation, because a gain by one side is made at the expense of the other.

- A type of negotiation that involves more than two parties

Not the best choice.

This is the definition of multiparty negotiation, not a distributive negotiation. A distributive negotiation is one in which parties compete over the distribution of a fixed pool of value, and any gain by one party represents a loss to the other. It is also sometimes referred to as a zero-sum or win-lose negotiation, because a gain by one side is made at the expense of the other.

Check Your Knowledge: Question 2

Which of the following is an example of an integrative negotiation?

- The sale of a car

Not the best choice.

The sale of a car is an example of a distributive negotiation, not an integrative negotiation. In a distributive negotiation, the parties don't create added value or make trade-offs. Instead, they compete over a fixed pool of value. By contrast, in an integrative negotiation, parties cooperate to achieve maximum benefits by integrating their interests into an agreement. The goal is to create as much value as possible for all parties involved. Each side makes trade-offs to get the things it values most, while giving up other, less critical forms of value. Thus the structuring of a long-term partnership between two corporations is an example of an integrative negotiation.

- A wage negotiation between a business owner and unionized employees

Not the best choice.

A wage negotiation between a business owner and unionized employees is an example of a distributive negotiation, not an integrative negotiation. In a distributive negotiation, the parties don't create added value or make trade-offs. Instead, they compete over a fixed pool of value.

By contrast, in an integrative negotiation, parties cooperate to achieve maximum benefits by integrating their interests into an agreement. The goal is to create as much value as possible for all parties involved. Each side makes trade-offs to get the things it values most, while giving up other, less critical forms of value. Thus the structuring of a long-term partnership between two corporations is an example of an integrative negotiation.

- [The structuring of a long-term partnership between two corporations](#)

Correct choice.

In a long-term partnership, the parties work cooperatively to make trade-offs so that everyone walks out of the deal feeling satisfied. The bargainers highly value the quality of their relationship. The goal is to create as much value as possible for all parties involved. And each side makes trade-offs to get the things it values most, while giving up other, less critical forms of value.

Check Your Knowledge: Question 3

You want to buy a new home and have set a reservation price of \$300,000. The seller of a home you are interested in has a reservation price of \$325,000. What is the ZOPA (Zone of Possible Agreement) in this negotiation?

- [There is no ZOPA in this example](#)

Correct choice.

In this situation, there is no overlap between the ranges that you and the seller find acceptable. You won't pay more than \$300,000, and the seller won't accept less than \$325,000. No agreement is possible, no matter how skilled you both are at negotiating—unless there are other elements of value to be considered or one or both of you changes your reservation price.

- [\\$300,000 to \\$325,000](#)

Not the best choice.

There actually is no ZOPA in this example—no overlap between the ranges that you and the seller find acceptable. You won't pay more than \$300,000, and the seller won't accept less than \$325,000. Thus no agreement is possible, no matter how skilled you both are at negotiating—unless there are other elements of value to be considered or one or both of you changes your reservation price.

- [Any number below \\$300,000](#)

Not the best choice.

There actually is no ZOPA in this example—no overlap between the ranges that you and the seller find acceptable. You won't pay more than \$300,000, and the seller won't accept less than \$325,000. Thus no agreement is possible, no matter how skilled you both are at negotiating—unless there are other elements of value to be considered or one or both of you changes your reservation price.

Check Your Knowledge: Question 4

Why is it important to know your BATNA before walking into a negotiation?

- Your BATNA enables you to create value through trades.

Not the best choice.

Value creation through trades is an important activity that can occur during negotiations, but it is not related to your BATNA. Your BATNA—or best alternative to a negotiated agreement—is your preferred course of action if you cannot reach agreement in the negotiation at hand. Your BATNA therefore determines the point at which you can say no to an unfavorable proposal. The stronger your BATNA, the more you can afford to negotiate for favorable terms.

- Your BATNA determines the point at which you can say no to an unfavorable proposal.

Correct choice.

Your BATNA—or best alternative to a negotiated agreement—is your preferred course of action if you cannot reach agreement in the negotiation at hand. Your BATNA determines the point at which you can say no to an unfavorable proposal. The stronger your BATNA, the more you can afford to negotiate for favorable terms.

- Your BATNA helps you identify when it is advantageous to form a coalition.

Not the best choice.

Forming coalitions is an important activity that can occur during negotiations, but it is not related to your BATNA. Your BATNA—or best alternative to a negotiated agreement—is your preferred course of action if you cannot reach agreement in the negotiation at hand. Your BATNA therefore determines the point at which you can say no to an unfavorable proposal. The stronger your BATNA, the more you can afford to negotiate for favorable terms.

Check Your Knowledge: Question 5

In which type of negotiation should you reveal information about your interests, preferences, and business constraints?

- You should never reveal information about your circumstances

Not the best choice.

You actually *should* reveal information about your circumstances during integrative negotiations. That's because, in such negotiations, the parties rely on collaboration and information exchange to create and claim value.

- Distributive negotiations

Not the best choice.

You actually *shouldn't* reveal information about your circumstances during distributive negotiations, because you and the other party are competing over a fixed pool of value. If you share personal information, you might give your counterpart an advantage with which to win a larger share of the value "pie." By contrast, you *should* share information about your circumstances during integrative negotiations. That's because, in integrative negotiations, the parties rely on collaboration and information exchange to create and claim value.

- [Integrative negotiations](#)

Correct choice.

In integrative negotiations, the parties rely on collaboration and information exchange to create and claim value. Thus it's important to reveal information about your circumstances in this type of negotiation.

Check Your Knowledge: Question 6

Which of the following is a strategy you should implement if you don't trust the other party in a negotiation?

- [Identify potential saboteurs](#)

Not the best choice.

Identifying potential saboteurs is a tactic you would use when you think someone might be interested in sabotaging the deal, not when you don't trust the other party. If you don't fully trust the other party, it's prudent to introduce enforcement mechanisms into the deal. These mechanisms include contingencies such as a security deposit, escrow arrangement, and penalties for noncompliance, as well as positive incentives for early delivery of the other person's part of the deal.

- [Suggest alternative packages or options](#)

Not the best choice.

Suggesting alternative packages is a tactic you would use when dealing with die-hard bargainers, not when you don't trust the other party. If you don't fully trust the other party, it's prudent to introduce enforcement mechanisms into the deal. These mechanisms include contingencies such as a security deposit, escrow arrangement, and penalties for noncompliance, as well as positive incentives for early delivery of the other person's part of the deal.

- [Insist on enforcement mechanisms](#)

Correct choice.

If you don't fully trust the other party, it's prudent to introduce enforcement mechanisms into the deal. These mechanisms include contingencies such as a security deposit, escrow arrangement, and penalties for noncompliance, as well as positive incentives for early delivery of the other person's part of the deal.

Check Your Knowledge: Question 7

Which of the following is a strategy you can use to avoid partisan perceptions?

- [Imagine yourself in the other side's position](#)

Correct choice.

To avoid partisan perceptions (biases toward your own point of view), try to view the negotiation from the perspective of the other party's negotiators. This will help you see their partisan viewpoints.

- [Before negotiating, work with your team to set a reasonable reservation price](#)

Not the best choice.

Setting a reasonable reservation price is more appropriate for controlling irrational escalations, not avoiding partisan perceptions (biases toward your own point of view). To avoid partisan perceptions, try to view the negotiation from the perspective of the other party's negotiators. This will help you see their partisan viewpoints.

- [Set clear breakpoints](#)

Not the best choice.

Setting clear breakpoints is more appropriate for controlling irrational escalations, not avoiding partisan perceptions (biases toward your own point of view). To avoid partisan perceptions, try to view the negotiation from the perspective of the other party's negotiators. This will help you see their partisan viewpoints.

Check Your Knowledge: Question 8

In terms of negotiations, what is an "anchor"?

- [The first offer that is made](#)

Correct choice.

As the first offer that is made, the anchor sets the bargaining range. Studies show that negotiation outcomes often correlate to the first offer, so it's important to start negotiations at the right place. It's best to anchor when you have a strong sense of the other side's reservation price. Then ensure that your proposal is at or just a bit beyond that number.

- [A complex deal that requires a non-linear approach to negotiating](#)

Not the best choice.

Complex deals and nonlinear negotiation approaches are not related to the concept of anchoring. An anchor is the first offer that is made, and it often sets the bargaining range. Studies show that negotiation outcomes often correlate to the first offer, so it's important to start negotiations at the right place. It's best to anchor when you have a strong sense of the other side's reservation price. Then ensure that your proposal is at or just a bit beyond that number.

- [The way in which you choose to describe a negotiation](#)

Not the best choice.

The way in which you choose to describe a negotiation is framing, not anchoring. An anchor is the first offer that is made, and it often sets the bargaining range. Studies show that negotiation outcomes often correlate to the first offer, so it's important to start negotiations at the right place. It's best to anchor when you have a strong sense of the other side's reservation price. Then ensure that your proposal is at or just a bit beyond that number. By contrast, framing orients the parties and encourages them to examine the issues within a defined perspective.

Check Your Knowledge: Question 9

What is the first step you should take in preparing for a negotiation?

- [Identify your BATNA](#)

Not the best choice.

While identifying your BATNA is an essential step in preparing for a negotiation, it's not the *first* step you should take. A negotiation's success is determined by its outcome; therefore, your first step in preparing is to clarify what constitutes a good outcome for you and the other side. Satisfactory outcomes typically address the interests—underlying motivations, needs, and concerns—of each party.

- [Determine satisfactory outcomes](#)

Correct choice.

A negotiation's success is determined by its outcome; therefore, your first step in preparing for a negotiation is to clarify what constitutes a good outcome for you and the other side. Satisfactory outcomes typically address the interests—underlying motivations, needs, and concerns—of each party.

- [Study the other side](#)

Not the best choice.

While studying the other side is valuable as you prepare for a negotiation, it's not the *first* step you should take. A negotiation's success is determined by its outcome; therefore, your first step in preparing is to clarify what constitutes a good outcome for you and the other side. Satisfactory outcomes typically address the interests—underlying motivations, needs, and concerns—of each party.

Check Your Knowledge: Question 10

How should you react when the other side opens the negotiation with an unreasonable offer?

- Ask questions that make the other negotiator justify the offer

Correct choice.

When the other party opens the negotiation with an unreasonable offer, clearly state that the offer is entirely out of the range you had imagined. Then ask such questions as, "How did you arrive at that number?" "What is it based on?" "How can I justify this number to my company?"

- Counter with a similarly unreasonable offer to put the other side on the defensive

Not the best choice.

When the other party opens the negotiation with an unreasonable offer, countering with an equally unreasonable number will just make the negotiation more difficult. Instead, ask questions that make the other negotiator justify the offer, such as, "How did you arrive at that number?" "What is it based on?" "How can I justify this number to my company?"

- Get up from the table and begin to leave the room so the other party changes his or her offer

Not the best choice.

When the other party opens the negotiation with an unreasonable offer, bluffing by pretending to leave the table will just make the negotiation more difficult. Instead, ask questions that make the other negotiator justify the offer, such as, "How did you arrive at that number?" "What is it based on?" "How can I justify this number to my company?"

Check Your Knowledge: Results

Your score:

Steps for preparing for a negotiation

1. Think through a good outcome.

A negotiation's success is judged by its outcome, not its process. As you prepare, consider what a good outcome would be.

- What do you hope to accomplish through the negotiation?
- What would the best result look like?
- What outcomes would not be acceptable?
- Why would they not be acceptable?

2. Assess your needs and interests.

Make a list of what you must have and what you would like to have, and why.

For example, if you are negotiating your salary for a new job, you might need:

- A certain minimal salary to provide basic necessities for yourself
- A higher salary that would give you more discretionary income
- A certain level of responsibility and challenge
- An appropriate title that would position you for a move to the next level
- A flexible schedule so that you can manage the hours in which you commute to work
- Agreeable colleagues to work with

3. Identify your BATNA—best alternative to a negotiated agreement.

Make a list of what your alternatives would be if the negotiation ends without agreement. Review the list to determine which alternatives would be best.

For example, if your company is being bought out and you are negotiating the salary for a possible new job, your list of alternatives might include:

- Remaining in your current job through the impending buyout of the company, in the hope that you will survive any downsizing and reorganization by new management
- Remaining in the current job after the buyout and accepting a likely three-to-four-month severance package
- Quitting your current job to look full-time for another one
- Accepting a less exciting but more stable job that does not permit a flexible schedule

4. Improve your BATNA, if possible.

For example, if you're negotiating the purchase of a specific product or service, options for improving your BATNA may include:

- Pursuing better tentative arrangements with other suppliers of the product or service you are purchasing
- Seeking to ease one of the constraints that makes your current BATNA unsatisfactory
- Investing in improved internal capability, so that you or your organization can reduce the need for that product or service

5. Determine your reservation price.

If you are negotiating the sale of your house with a qualified buyer, and an equally qualified buyer has previously offered you \$325,000 (and has left the offer open), your BATNA in this negotiation is the \$325,000. All other things being equal (the closing date, the condition of the house upon sale, etc.), your reservation price should be \$325,000. You should walk away if this prospective buyer does not offer you \$325,000 or more.

In most business negotiations, however, things are not that simple. When there are other terms and interests to be met, you must compare the value to you of the deal on the table and the value to you of your BATNA. In a salary negotiation, for example (see step 2), you will have to assess the value of the differences between your alternatives. Ask yourself the following questions:

- How much does it matter to you that the new job will be more challenging?

- How much of a reduction in salary would you accept in the new job in order to acquire a better title and more responsibility?
- How insecure is your current job, and how much does that bother you?
- How compatible do you think you and your prospective colleagues (and particularly your prospective supervisor) will be both at the competitor firm and at the firm with which you are currently negotiating?

Your answers to such questions will determine what minimal terms would be equivalent to your BATNA in the deal being negotiated.

6. Evaluate the trade-offs between issues and interests.

To evaluate the other side's proposals and to make proposals that advance your interests, ask yourself the following:

- Which issue(s) or term(s) do you care most about?
- Are any of these issues or terms linked? That is, does more or less of what you want on one issue give you more or less flexibility on the others?
- How much of what you want on one issue or term would you trade off against another?
- Are there different package deals that would be equivalent in value to you?
- Which do you care more about—price, delivery date, or customization?
- How much would greater customization affect what you would be willing to pay?
- If the delivery is two weeks later than you would prefer, would you require additional customization?
- How much of a premium would you pay for earlier delivery?

Let's assume that you are negotiating about the price, delivery date, and customization of a product. You should be able to answer the following questions:

If you don't know the answer to these questions, and the other side's offer doesn't give everything you want, you will be unable to evaluate which alternative proposal best meets your interests: (1) very little customization, delivery in 60 days, and a low price, or (2) a moderate degree of customization, delivery in 45 days, and a very high price.

7. Assess the other side's BATNA.

If the other side does not have a good BATNA and you know it, you may be able to negotiate a highly favorable deal for your company. To assess the other side's BATNA, you should learn as much as possible about:

- Their business circumstances. What is their credit rating? What does their annual report show? How strong have quarterly earnings been? Has management dictated any new initiatives relevant to this deal?
- The value this deal has to them. How important is it? Is it necessary for them to meet a larger objective?
- The availability of a replacement. Is what you offer easy to find elsewhere? Can it be obtained in time to meet their deadlines? Have they already obtained bids or initiated informal negotiations with anyone else?

8. Assess the other side's interests.

Consider:

- The other side's broader business objectives and what it needs in order to achieve them

- Possible reasons why the other side's business growth might be hampered
- What goods or services you have that would benefit the other side

Assume that you are negotiating a significant contract with a graphic designer. You know that she works out of her home, but that her award-winning work means that she is in great demand. You want her to redesign all of your company's internal and external brochures as well as the packaging and promotional materials for your various product lines.

When trying to assess her interests, put yourself in her shoes. As a small independent, she might value some flexibility on deadlines. Would she be willing to charge a lower rate for the large quantity of work if you allow her to stagger the deadlines? Also, she may not have any systems or administrative support in her home office. Would she value the opportunity to work from one of the company's empty offices, with limited administrative support? Would she value the use of your company's technical support department? Would she accept a lower fee if she were given such support? Would she rather remain an independent contractor or become an employee, even part-time, or for a specified contract period? If she has aspirations to direct a larger graphic design department someday, a formal title with your company might interest her.

9. Anticipate the authority issue.

Try to determine the formal and informal decision-making authority of the people with whom you will be negotiating. What is their rank and scope of responsibility? Were they authorized to negotiate only within certain preset limits?

How much authority do you have? Must you account for the process and results? Can you bind your organization to any deal you find acceptable, or must you obtain approval?

10. Learn all you can about the people and culture on the other side. Pay particular attention to the people doing the negotiating for the other side.

- The people in the other organization. Although you can't gather complete information, some knowledge about the other organization's culture can help you avoid being misunderstood.

For example, does the other side value efficiency above everything else, or do they put greater emphasis on creativity?

- The people negotiating. You don't negotiate with companies or "other sides"—you negotiate with people. Give two people exactly the same facts about a negotiation, and they will think about the facts differently, establish different preferences and trade-offs, open the negotiation differently, be comfortable with different types of process choices, and have different negotiating styles.

Even with perfect information about someone's personality, style, and background, you cannot predict perfectly how they will handle a negotiation, or how they will react to the other side's negotiation style or process suggestions. Still, the more you know about the other negotiators, the more effective your own choices will be.

For example, you might seek to learn:

- Where they are from
- How long they have been with the organization
- What their career path(s) have been
- Whether they have families

- Whether they have any notable hobbies or extracurricular activities
- What their politics are

You may share interests as amateur violinists, avid golfers, or parents of toddlers. Such interests can provide a source of tension-relieving conversation before the negotiation, during breaks, or over meals.

Such information may also help you avoid a faux pas. If your political and religious convictions are diametrically opposed to those of your counterparts, you will know to avoid religion and politics as small talk.

11. Strive for fairness by gathering external standards and criteria relevant to the negotiation.

Both sides want to believe that any deal reached is fair and reasonable, regardless of whether their BATNA is acceptable or not. If you are in desperate circumstances, you might capitulate to terms that seem unfair, but you are also likely to feel exploited. External or "objective" criteria are often accepted as establishing what is fair and reasonable. Because there are often many relevant criteria, an important part of preparation is:

- Researching which criteria might be applied
- Being prepared to show why those more favorable to you are more relevant
- Being prepared to show why those less favorable to you are less relevant

If you can convince the other side that a certain criterion or formula is fair and reasonable, that side will find it harder to reject a proposal incorporating that standard, and they are more likely to feel satisfied about the deal.

12. Prepare for flexibility in the process—don't lock yourself into a rigid sequence.

Don't assume that the negotiation must proceed according to a predetermined sequence—you'll be thrown off balance when events turn out differently. Effective negotiators plan by carefully considering each issue, and the linkage between issues, rather than by trying to anticipate the precise order of events.

Steps for handling a distributive negotiation

1. Harness the power of "anchoring."

The first offer can become a strong psychological anchor, setting the bargaining range. In fact, studies show that negotiation outcomes often correlate to the first offer. So start at the right place. In a negotiation in which capturing maximum value is the primary goal, your first offer or proposal should be:

- At or just a bit beyond what you believe is the other side's reservation price—if, and only if, you can articulate why this offer or proposal is reasonable; or
- At the most favorable point that you can justify

2. Don't drop an anchor without a line.

If you anchor the negotiation with a first offer, and then discover that your estimate of the other negotiator's reservation price is way off target, you will need to retreat gracefully. In this case, make sure that you don't indicate that your initial offer is final and that you have a different line of reasoning ready to support your shift to a less aggressive offer.

3. Brace for the weight of the other side's anchor.

If the other negotiator makes the first offer, you should recognize and resist its potential power as a psychological anchor. Don't let it set the bargaining range unless you think it's a sensible starting point.

If you think it suggests an unfavorable or unacceptable bargaining range, steer the conversation away from numbers and proposals. Focus instead on interests and concerns. After some time has passed, put your initial number or proposal on the table, supported by sound reasoning.

To the extent possible, avoid direct comparison between the two offers. If the other party's initial offer was not serious, and you ignore it, they may also. If it was serious, and the other side refers to it again, you should respectfully ask them to explain why their offer is reasonable.

4. Keep in mind the traditional assumptions about concessionary moves.

In a traditional, back-and-forth negotiation over numbers, a large movement signals significant additional flexibility, while very little movement signals that the negotiator is approaching his or her reservation price. At this point, people tend to move in increasingly small increments, and the other side often expects such a pattern of behavior.

You don't have to follow these conventions, but you do have to understand them because your offers and counteroffers may be interpreted in this light. So if you make a substantial move, but are not prepared to move much further, you should say so. Also, be prepared to explain the reason that you are willing to make this significant concession—and expect to have your explanation tested by the other side.

5. Package options for a favorable deal.

Offering alternative proposals (two or more) has dual benefits. First, people don't like to feel pushed into a corner. A single proposal on the table may feel to the other side like an ultimatum. But when presented with alternative proposals, the other side may compare the proposals to each other instead of to the original goals it presented.

In addition, when the other negotiators won't discuss their interests, you can often infer them by noticing which proposal the other side prefers. Before presenting alternative proposals:

- Assess the value of each option to each side
- Consider whether the diminution of one option would be offset by an enhancement of another
- If you determine that you actually prefer one of the alternatives, adjust at least one of the proposals so that you feel equally about at least two of them

6. Tap into, but don't be trapped by, the power of fairness and legitimacy.

Fairness and legitimacy have great power—and multiple dimensions. No one likes feeling exploited. Deals often fall apart when one side is convinced it is being fair while the other side is not. What seems fair to you is determined largely by your perspective. If the other side asserts a position you believe to be unfair:

- Ask the other side to explain why it thinks the position is fair. Listen to the answer; try to adopt the other side's perspective. Then, explain why the position seems unfair to you.
- Draw on external criteria that lends legitimacy to an alternative proposal you consider to be fair and favorable for you. Frame your proposal as consistent with this external standard or other common measures of fairness.

Steps for handling an integrative negotiation

1. Don't start with numbers.

Don't make a proposal too quickly, because a premature offer won't benefit from information gleaned during the negotiation process itself. If you are the buyer in the negotiation, such information could alert you to the seller's desperate financial situation, thereby leading you to make a lower initial offer than you otherwise might have. On the other hand, the information could reveal that the seller is not desperate at all, thereby preventing you from making a low initial offer that might insult the seller.

2. Try to uncover the other side's real reservation price by initiating a conversation about interests and concerns.

Instead of hastily throwing out offers, try these techniques:

- Ask open-ended questions about the other side's needs, interests, concerns, and goals.
- Listen closely to the other negotiator's responses without jumping in to cross-examine, correct, or object. Every so often, paraphrase these responses or give nonverbal cues to demonstrate that you have understood the other side's perspective.
- Express empathy for the other side's perspective, needs, and interests. An expression of empathy is especially important in highly charged situations. It takes active listening one step further, confirming that you can connect with the speaker and the underlying tensions or emotional issues.
- Adjust your assumptions based on what you've learned. The assumptions that you made about the other side's interests and circumstances when preparing for the negotiation may be wrong, in which case you'll need to revisit your strategy quickly.
- Gently probe for the other side's underlying positions by asking why certain conditions—for example, a particular delivery date—are important.
- Be forthcoming about your own business needs, interests, and concerns. It is just as important to assert what you need and want (and why) as it is to listen carefully to the other side. Indeed, striking a balance between empathy and assertiveness is essential to effective negotiating. If you are too empathetic and insufficiently assertive, you may shortchange your own interests. If you are too assertive and insufficiently empathetic, you risk missing a deal and escalating emotions. But don't barrage the other side with all of your interests and concerns at once.
- Work to create a two-way exchange of information. Stay flexible about who asks questions and who states concerns first. If the other side seems uncomfortable with your initial questions, offer to talk about one or two of your most important points—and explain why they are important.

3. Generate options that offer mutual gain.

When preparing for the negotiation, you formulated positions that satisfied your own interests. During the negotiation, you are confronted with the other side's positions; you come to understand the interests underlying those positions. The challenge now: to arrive at an outcome that satisfies both parties' interests.

But beware of the temptation to close the deal too quickly—when the first acceptable proposal is on the table but little information has been exchanged. Spend a bit more time to find a deal that is better for both sides. Signal that the proposal on the table is worth considering, but also state that it may be improved by learning more about your respective interests and concerns. Then, begin the search for mutually beneficial options.

Here are some suggestions for generating win-win solutions:

- Move from a particular issue to a more general description of the problem, then to theoretical solutions, and finally back to the specific issue.
- Pay special attention to shared interests and opportunities for cooperation.
- Consider joint brainstorming with the other side—it can be a very fruitful way of generating creative alternatives. Set ground rules that encourage the participants to express any and all ideas—no matter how wild or impractical. Be careful not to criticize or express disapproval of any suggestion: at this stage, such judgment inhibits creativity, making people reluctant to offer further suggestions—and more likely to criticize any ideas you volunteer as well.

4. Don't overlook differences in preferences, resources, and capabilities.

People know intuitively to build upon their shared interests. Less obvious sources of value are the differences between the parties. By trading on differences, you create value that neither party could have created on its own. In particular, look for differences in:

- **Access to resources.**

For example, a retail store and restaurant owner negotiating with an interior designer agrees to pay a somewhat higher price than she planned for the restaurant design in exchange for the designer's lending her appropriate catalogs, explaining some of the technical specifications, and ordering the store fixtures and furnishings at discount. The owner would not have ready access to this information, or to the discount—yet they cost nothing to the designer to provide. Value has been created for both sides.

- **Future expectations.**

For example, the current owner of a business demands a high price because he predicts that the market for his product will increase over time. The buyer is unwilling to pay the price, because he believes the market has peaked and may decline over the next five years. They agree to a base price, plus a percentage of the company's increased revenues over the next five years, with the current owner providing advice and assisting with marketing and distribution plans.

- **Time preference.** The timing of a deal can be a barrier to a mutually satisfactory conclusion.

For example, a marketing director is happy with the CEO's plan to promote her to vice president of marketing, but unhappy that she must play a waiting role until the incumbent retires in six months. The CEO finds a creative solution: He asks the current vice president to finalize a distribution strategy that he's been working on and puts the marketing director in charge of a team that will be responsible for implementing the strategy once the existing vice president retires. That solution satisfies both the marketing director and benefits the company.

- **Risk aversion.** What is highly risky for one party is often less risky for another. Parties have different risk tolerances. In this case, value can be created by shifting risk to the party better able to bear it—in exchange, of course, for higher potential returns for the party assuming the risk.

For example, a couple is negotiating with Jones Properties, a developer, for the purchase of a newly built condominium. The couple is concerned that they might take a heavy loss if the condo market were depressed at the time of sale. Jones Properties owns hundreds of properties in dozens of buildings in the country. Its risk of ownership is highly diversified. And so it poses a solution: As part of the sales agreement, it will agree to buy back the couple's condo at any time within two years of purchase at 95% of the purchase price less transaction costs.

5. Continue your relationship-building efforts even after the negotiating has begun.

- Show empathy, respect, and courtesy throughout the proceedings.
- Remember that the other side consists of human beings with feelings, limits, and vulnerabilities.
- Don't launch personal attacks. Don't accuse or blame.
- Maintain a sense of humor.
- When an issue seems to make another negotiator tense, acknowledge the difficulty of the issue.

Steps for improving your negotiating position

1. Improve your BATNA.

A strong BATNA gives you bargaining power. If your BATNA is weak, do what you can to improve it. Depending on your situation, this may involve finding other clients, buyers, vendors, or job offers. Anything that strengthens your BATNA improves your negotiating position.

2. Identify the other side's BATNA.

Knowledge of the other side's BATNA is another source of negotiation strength. The opposing negotiator won't tell you his or her BATNA unless it is very strong. He or she may even bluff about it. Sometimes, however, you can discover the other party's BATNA and circumstances using the following methods:

- Contact sources within the industry
- Check potentially relevant business publications
- Review annual reports (or public filings)
- Ask questions informally of the negotiator or others within the company
- Ask questions during the formal negotiation
- Imagine what your interests, preferences, and needs would be if you were in their position

3. Weaken the other party's BATNA.

Anything that weakens the other side's BATNA will improve your relative position.

Steps for closing a deal

1. Signal the end of the road before you get there.

If you have been negotiating back and forth, showing flexibility on various issues, and then suddenly announce you're at your bottom line, you are likely to be challenged or ignored. So as you approach the parameters of what you would like to be a final deal, say so. Repeat the

warning, not as a threat but as a courtesy, particularly if the other negotiator seems to expect a lot more movement in his or her direction.

2. Allow flexibility if you anticipate going beyond the final round.

- Don't create so much flexibility that the deal will be rejected by the decision maker.
- Consider a final trade you would be willing to make if you end up requesting significant adjustment in the final terms.

If you are aware that the other negotiator does not have final authority, leave yourself some flexibility, or "wiggle room," in the final terms.

3. Discourage the other side from seeking further concessions.

- Express your willingness to accept the total package, without changes.
- Explain that adjustment in their favor on one term would have to be balanced by adjustment in your favor on another.

For example, "If we open that issue, then I'm afraid we'll have to reopen the whole deal for it to work for me."

If you appear to have reached a final deal that is acceptable to the other side (and perhaps also favorable to you), discourage further "tweaking" in their favor.

4. Write down the terms.

- Even if counsel will draft the official documents, write an informal agreement in principle. Decide whether it is binding or not, and say so in the document.
- Even if your informal agreement is nonbinding, it will be a common text for reference by both parties as future, good-faith questions arise.

If your negotiation time has been well spent, don't risk ruining it by failing to record and sign your agreement. People's memories of their agreement will inevitably diverge; recording the terms of the agreement avoids future disputes and confusion.

5. Don't gloat.

If you brag about your great deal, and how much more you would have been willing to give up, you will encourage the other side to find a way to get it back, increase their aggressiveness in the next negotiation, and increase the aggressiveness of anyone else who hears the story and later negotiates with you.

Tips for establishing the right tone

- Don't overlook the importance of casual conversation at the beginning of the negotiation—it helps make everyone feel less defensive, and more cooperative and communicative.
- Even in a distributive negotiation, casual conversation helps you get to know the other side better—it makes you better able to judge when the other negotiator is being truthful.
- Take your cue from what the casual conversation reveals about the other negotiator's style and manner.
- If the other side is more formal, don't speak too casually—this may be interpreted as a lack of seriousness on your part.
- If the other side is decidedly informal, speak in a more casual way.

Tips for getting off to a good start

- In your opening remarks, try to relieve the tension that is undoubtedly there: Express respect for the other side's experience and expertise. Frame the task positively, as a joint endeavor. Emphasize your openness to the other side's interests and concerns.
- After the opening remarks, start with the agenda; make sure both parties have a common understanding of the issues to be discussed.
- Explicitly discuss the process, especially since people often hold different assumptions about how the negotiation should work. Some assume that there will be haggling. Some expect proposals to be made at the outset, while others expect an open discussion of issues to come first.
- Listen carefully to the discussion of process—it will tell you a great deal about the other side's negotiation style.
- Offer to explain some of your interests and concerns first. This is a good-faith demonstration that you are prepared to disclose information, provided the exchange is reciprocal.

Tips for listening actively

- Keep your eyes on the speaker.
- Take notes as appropriate.
- Don't allow yourself to think about anything but what the speaker is saying.
- Resist the urge to formulate your response until after the speaker has finished.
- Pay attention to the speaker's body language
- Ask questions to get more information and to encourage the speaker to continue
- Repeat in your own words what you've heard to ensure that you understand and to let the speaker know that you've processed his or her words

Tips for dealing with saboteurs

- Identify people—stakeholders, employees, customers, etc.—who have something to lose from the outcome of the negotiation, and try to anticipate how they will respond.
- Communicate why the negotiation is taking place.
- Emphasize the potential benefits of outcome of the negotiation to resisters. Those benefits might be greater future job security, higher pay, and so forth. While there's no guarantee that the benefits will exceed the losses to these individuals, explaining the benefits will help shift their focus from negatives to positives.
- Help resisters find new roles—roles that represent genuine contributions *and* mitigate their losses.
- Remember that some people resist change because it represents a loss of control over their daily lives. You can return some of that control by making them active partners in the negotiation process or in your change program.
- Build a coalition with sufficient strength to overpower the saboteurs.

Tips for managing relationship value

- **Create trust.** Trust is created when people see tangible evidence that another's words and actions are in harmony. So avoid making commitments you may be unable to honor, and always

do what you have committed to do. Trust is also created when you acknowledge and demonstrate respect for the other party's core interests.

- **Communicate.** Negotiating parties should communicate their interests, capabilities, and concerns to each other.

For example, if you've committed to finishing a project for a client by a certain date but you then run into scheduling conflicts that will make your project late, communicate that information to your client immediately.

- **Never try to hide mistakes.** Mistakes are bound to happen. Acknowledging and addressing them—quickly—is always the best course of action.
- **Ask for feedback.** If everything appears to be going as planned, never assume that the other side sees it the same way. Be proactive in uncovering problems. The other side will respect you for it. Ask questions such as these: "Is everything happening as you expected?" "Are the parts reaching your plant on schedule?" "Did my report cover all important points?"

Worksheet for identifying and improving your BATNA

<i>Worksheet for Identifying and Improving Your BATNA</i>	
<i>Use this worksheet to identify and improve your best alternative to a negotiated agreement, or BATNA.</i>	
1. What are your alternatives to a negotiated agreement? Make a list of what your alternatives will be if the negotiation ends without agreement.	
1.	
2.	
3.	
4.	
5.	
2. Of the alternatives that you listed, which is your <i>best</i> alternative?	
3. Can you improve your BATNA?	
Are there any arrangements you can make with other suppliers, partners, or customers that would improve your BATNA?	
Are there ways to remove or alter any constraints that currently weaken your BATNA? If yes, what? How?	
Are there ways to change your terms of the negotiation to improve your BATNA? If yes, what? How?	
4. What will your new BATNA be if you have succeeded in improving it?	

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Worksheet for determining your reservation price

<i>Worksheet for Determining Your Reservation Price</i>
<i>Use this worksheet to examine the variables that can determine your reservation price.</i>
1. Explore the variables that affect your reservation, or "walk-away," position.
What is the value to you of the deal on the table?
How does this compare to the value of your BATNA?
What other values need to be considered?
If there is a dollar number involved in the negotiation, what is the lowest amount that you would consider?
What are the minimum non-dollar terms that you would consider?
2. Evaluate the trade-off: between your issues and interests.
Which issue(s) or term(s) do you care most about?
Are any of these issues or terms linked? (That is, does more or less of what you want on one issue give you more or less flexibility on any of the others?)
How much of what you want on one issue or term would you trade off against another?
Are there different package deals that would be equivalent in value to you?
3. Articulate the parameters of your reservation price. (The resulting terms or price create the context for you to evaluate alternative proposals.)

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Worksheet for assessing the other side's interests

Worksheet for Assessing the Other Side's Interests		
<i>Use this worksheet to summarize your knowledge of the other side's interests. Refer to this information throughout the negotiation process and use it to identify value-creating opportunities.</i>		
Learn about the other side.	Yes	No
1. Have you spoken with people—either formally or informally—who know the other party?		
2. Have you reviewed the other side's Web site, marketing materials, and (if applicable) annual reports and public findings?		
3. Have you researched the other side's industry and contacted sources within the industry to find out more about that side?		
4. Have you imagined what the other side's interests, preferences, and needs would be if you were in its position?		
Assess the other side's BATNA.		
<i>What do you know about the other side's business circumstances?</i>		
How strong is its financial performance? asdasdasd		
What is its strategy?		
What are its key corporate initiatives?		
What competitive pressures does it face?		
<i>What do you know about the value this deal has to the other side?</i>		
How important is this deal to the other side at this time?		
Is it necessary for the other side to meet a larger objective? (Describe the objective.)		
<i>What do you know about the availability of a replacement deal?</i>		
Is what you offer easy to find elsewhere?		
Can it be obtained in time to meet the other side's deadlines?		
Has the other side already obtained bids from or initiated informal negotiations with anyone else?		
Consider the terms the other side would like to see for the deal.		
What broader business objectives would the other side like to see served by this deal?		
What terms of this deal could hamper its business growth?		
What terms might you offer that would benefit the other side (at a low cost to you)?		

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Worksheet for evaluating your authority and that of the other side

<i>Worksheet for Evaluating Your Authority and That of the Other Side</i>
<i>Use this worksheet to determine and confirm the authority level you have and the authority level of the person(s) with whom you will be negotiating, so that you can plan accordingly.</i>
The other side's authority. <i>(Learn as much as possible about the individuals on the other side.)</i>
1. Who will be at the negotiating table?
2. What are the formal titles and areas of responsibility of the person(s) with whom you will be negotiating?
3. How long have they been with the company? What other relevant experience do they have?
4. How is the company structured? <i>(Is it hierarchical, with significant decision-making powers centered at the top, or is it relatively decentralized?)</i>
5. How are the negotiators viewed within the organization? <i>(Are they generally respected, listened to, etc.? Rely on contacts outside the organization, if available.)</i>
6. What are their other interests outside of work? <i>(I.e., sports, hobbies, volunteer interests, political orientation, children?)</i>
Your authority. <i>(Confirm in as much detail as possible.)</i>
What kind of a deal are you authorized to make? <i>(Complete as appropriate.)</i>
Only a predetermined deal for which committee approval has been obtained? <i>(If yes, describe. If you can also negotiate something "better" beyond the predetermined deal, what does the committee consider "better"?)</i>
Only a deal that meets certain objectives? <i>(What are the objectives? Do you have the freedom to structure the deal in the best way you can?)</i>
Would the committee prefer that you bring a deal back for formal review and approval?
Is your authority limited on dollar issues but not on other creative options without significant financial implications?
Are you authorized to provide information about your company's needs, interests, and preferences if the other side engages in a good-faith, reciprocal exchange?

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Sales negotiation planning form

Sales Negotiation Planning Form		
Use this sales planning form to prepare for an upcoming sales negotiation.		
Account:		
Date:		
1. Define issues the account may want to negotiate and why (such as price, volume discount, extended terms).		
Issue/Why	Underlying account need, perceived or real	
2. Describe each competitor's advantages and disadvantages compared to your product/service.		
Competitor name(s)	Competitor's advantages (product features, services, marketing, pricing, etc.)	Competitor's disadvantages (potential weak spots)
3. For each key issue, think through what you will give and what you will ask for in return.		
Issue	What you will give	What you will ask for
4. Prepare your position and offer range.		
What is your offer and your rationale for it?		
How might the account react to this offer? How would you handle that?		
What's your reservation price or walk-away position (or least favorable offer you will accept)?		
If the other side fails to meet your reservation price, what other areas of possible agreements can you explore?		

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Why Develop Others?

"At the end of the day, you bet on people, not strategies."

Larry Bossidy

Former CEO, AlliedSignal

In today's global business environment, markets and regulations change quickly. Competitors constantly innovate. Technological changes are the norm.

In order to outmaneuver the competition and meet the demands of the moment, organizations must be agile. They must execute flawlessly. And they must transform themselves continuously.

Are your leaders ready?

Dr. Noel M. Tichy

Professor

University of Michigan Ross School of Business

We have now entered an era where I don't care what industry you're in, you need leaders who

can make decisions, make judgment calls at every single level. All the way down to the interface with the customer.

If you go to a company like Google or any of the high tech companies, a lot of the innovation that Amazon does is happening right at the front line. Go ahead, try it, put it out there, we'll learn from it. That cannot happen if the senior leadership doesn't have a commitment to both develop the leadership capability, but develop the business through engaging people at all levels of the organization.

Becoming a teaching organization

I like to tell parents that they cannot delegate their responsibility to develop their children. And I think it is the same in an organization. Day in and day out the person that has the biggest impact on people in the organization is the next level above and the associates around and below. And so to build a learning organization I say is not enough. Learning could be, you know we are learning cooking, we are learning this or that, but teaching organizations, when I learned something, I have a responsibility to teach my colleagues.

So everybody takes responsibility for generating new knowledge and it is not enough to be a learner, you then have to translate it into teaching.

The Virtuous Teaching Cycle

The role of a leader is to ensure that the people who work for them and around them are better every day. There's only one way to make people better. It's to teach them, learn from them, create what I call "virtuous teaching cycles", not command and control.

A virtuous teaching cycle is teach learn, teach learn. And the leader has a responsibility for reducing the hierarchy, for having a point of view to start the discussion, but then to be responsible to hear everyone's voice, get everyone involved in a disciplined way. It is not a free for all. But it is the leader's responsibility to create that virtuous teaching cycle.

A wonderful example of virtuous teaching cycle is the program that Roger Enrico ran at Pepsi, where every one of the 10 vice presidents comes with a business project.

Roger Enrico gets smarter as result of five days with 10 vice presidents, because he's learning from them. He needs to lower the hierarchy. He needs to be open to learning. And in turn, the people participating need to be energized and empowered to come up and engage in problem solving.

Another example is at Best Buy, where every morning in the stores you would bring 20 associates or so together and they would review the profit and loss statement from the day before, what we learned from the different customer segments in our stores, what we can do to improve our performance this day. And they do that every single day. The store manager was learning mostly from the associates on the floor.

That was a virtuous teaching cycle where everybody is teaching everybody, everybody is learning and the result has been an incredible result at Best Buy.

"The growth and development of people is the highest calling of leadership."

- Harvey S. Firestone

Founder, Firestone Tire and Rubber Co

There are clear advantages to leader-led development.

But for many leaders, taking on teaching, coaching, and other development responsibilities can seem daunting. You might avoid taking on these roles due to lack of time, resources, or your own lack of comfort with this role.

The following tips and resources can help you impart valuable learning to your team every day.

To develop others...

- Start with a Teachable Point of View

The first requirement of being able to develop other leaders is to have what I call a teachable point of view. I often give the example of, if I ran a tennis camp and you just came to day one of the tennis camp, I better have a teachable point of view on how I teach tennis. So you are standing there looking at me and it has got four elements. One, the ideas, well how do I teach the backhand, the forehand, the serve, rules of tennis. Then if I am a good tennis coach, I have a set of values. What are the right behaviors I want, how do I want you to dress, how do I want you to behave on the tennis court.

But if that's all I have, what do I do? Show you a power point presentation and then expect you to hit 500 backhands, 500 serves, run around for eight hours. I have to have a teachable point of view on emotional energy. How do I motivate you to buy in to the ideas and values?

On one end of the spectrum it could be I threaten you with corporal punishment, the other I can give you stock options, I can make you feel good about yourself, I can help you develop as a human being, what motivates you.

And then finally, how do I make the tough judgment calls, the yes/no, decisions as the tennis coach, the ball is in, the ball is out. I don't hire consultants and set up a committee, it is yes/no. And the same with running a business, what are the products, services, distribution channels, customer segments that are going to grow top line growth and profitability of the organization.

What are the values that I want everyone in the organization to have, how do I emotionally energize thousands of people, and then how do I make the yes/no, judgments on people and on business issues. So the fundamental building block of being able to develop other leaders is to have that teachable point of view just like the tennis coach.

To develop others...

- Lead with questions

Questions are hugely important because you want to create dialogue and again, what I call a virtuous teaching cycle where the teacher learns from the students and vice versa. Which means everybody ought to be free to ask whatever is on their mind, whatever it will take to get clarity and understanding, but it is not the leader just coming in and freeform asking questions. I believe the leader has a responsibility for framing the discussion, for having as best they can a teachable point of view, they may need help from their people in flushing it out, but they need to set the stage but then it has to be a very interactive, what I call virtuous teaching cycle environment, teach learn, teach learn, teach learn.

To develop others...

- Make it part of your routine

A good example to me of an outstanding leader developing other leaders is Myrtle Potter who at the time I am commenting was Chief Operating Officer of Genentech running the commercial side of the business. And she would take time at the end of every single meeting and do some coaching of the whole team on how we could perform as a team better, and then she would

often take individuals and say, could we spend 10 minutes over a cup of coffee, I want to give you some feedback and coaching on that report that you just presented on or how you are handling a particularly difficult human resource issue, but it was part of her regular routine. And I think the challenge for all of us as leaders is to make that a way of life and it is built into the fabric of how we lead and it is not a one off event, three times a year. It is happening almost every day.

To develop others...

- Make it a priority

One of the biggest challenges in getting people kind of on this path is to overcome some of their own resistance, either fear or the way I view the world I don't have time for this, everybody can make time. Roger Enrico is CEO of Pepsi. He didn't have time to go off for a week at a time and run training sessions. He had to readjust his calendar. So it requires you to look in the mirror and say, is this important. If it is important, of course I can make the time. Then I have to get over my own anxiety on how well I can do it, but it is a commitment to get on the path that says: this is how I am going to drive my own performance and the performance of my colleagues.

To develop others...

- Learn to teach

I think the biggest mistake is to assume you are going to be good at it right off the bat. It is like learning anything else. First time you go out and try and play tennis, good luck. But you got to stay with it and you got to engage your people in helping make you better and them better. And so it is a journey you need to get on, not I am going to do it perfectly when I start out.

If you want to be a great leader who is a great teacher, it's very simple. You have got to dive into the deep end of the pool. But you've got to dive into the pool with preparation. I don't want you drowning. I want you succeeding. It is extraordinarily rewarding for most human beings to teach others. I think once you can turn that switch on, it is self perpetuating. You get a lot of reinforcement, your team is better. You perform better because your performance goes up and it becomes this virtuous teaching cycle.

Your opportunity to develop others

We've heard why developing others can drive greater business results, and how to make the most of your leader-led development efforts. The materials provided in Develop Others enable you to create personalized learning experiences for YOUR team within the flow of their daily activities. Use the guides and projects to engage your team quickly. And to explore how key concepts apply to them in the context of their priorities and goals.

The value of teaching is the performance of the organization is totally dependent on making your people smarter and more aligned every day as the world changes. In the 21st century we are not going to get by with command and control. We are going to have to get by with knowledge creation. The way you create knowledge in an organization is you create these virtuous teaching cycles where you are teaching and learning simultaneously, responding to customer demands and changes, responding to changes in the global environment. My bottom line is if you're not teaching, you're not leading.

A leader's most important role in any organization is making good judgments — well informed, wise decisions about people, strategy and crises that produce the desired outcomes. When a leader shows consistently good judgment, little else matters. When he or she shows poor judgment nothing else matters. In addition to making their own good judgment calls, good leaders develop good judgment among their team members.

Dr. Noel M. Tichy

Professor, University of Michigan Ross School of Business

Dr. Noel M. Tichy is Professor of Management and Organizations, and Director of the Global Business Partnership at the University of Michigan Ross School of Business. The Global Business Partnership links companies and students around the world to develop and engage business leaders to incorporate global citizenship activities, both environmental projects and human capital development, for those at the bottom of the pyramid. Previously, Noel was head of General Electric's Leadership Center at Crotonville, where he led the transformation to action learning at GE. Between 1985 and 1987, he was Manager of Management Education for GE where he directed its worldwide development efforts at Crotonville. He currently consults widely in both the private and public sectors. He is a senior partner in Action Learning Associates. Noel is author of numerous books and articles, including:

For more information about Noel Tichy, visit <http://www.noeltichy.com>.

Share an Idea

Leaders are in a unique position to recognize the ideas and tools that are most relevant and useful for their teams. If you only have a few minutes, consider sharing an idea or tool from this topic with your team or peers that is relevant and timely to their situation.

For example, consider sending one of the three recommended ideas or tools below to your team with your comments or questions on how the idea or tool can be of value to your organization. By simply sharing the item, you can easily engage others in important conversations and activities relevant to your goals and priorities.

[Negotiation framework](#)

[Steps for preparing for a negotiation](#)

[Worksheet for identifying and improving your BATNA](#)

To share an idea, tip, step, or tool with your comments via e-mail, select the EMAIL link in the upper right corner of the page that contains the idea, tip, step, or tool that you wish to share.

Discussion 1: Identifying a BATNA and reservation price

When your team members are preparing for a negotiation — whether it's with suppliers, internal customers, or peers — they may skip an important task: identifying their BATNA (best alternative to a negotiated agreement) and their reservation price (or "walk-away").

If your people don't identify their BATNA and reservation price *before* entering a negotiation, they won't know whether a deal makes sense or when to walk away. They might reject a good offer that's much better than their alternative. Or they might accept an offer that's less favorable than what they could have obtained elsewhere if there was no agreement. In either case, they fail to generate the best possible outcome from the deal.

Use these resources to lead a discussion with your team about how to identify their BATNA and reservation price while preparing for a negotiation.

Download resources:

[Discussion Invitation: Identifying a BATNA and Reservation Price](#)

[Discussion Guide: Identifying a BATNA and Reservation Price](#)

[Discussion Slides: Identifying a BATNA and Reservation Price \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Note: Even if your team members are not facing an upcoming negotiation, they can practice the skills of identifying their BATNA and reservation price by reflecting on previous negotiations during the discussion and considering how they might have arrived at their BATNA and reservation price while preparing for those deals.

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Discussion 2: Assessing the other side's interests

The more your team members know about the other side while they're preparing for a negotiation, the greater the chance that they'll craft a successful deal. By studying their bargaining counterpart, your people can estimate important matters such as the other side's BATNA and reservation price, what it would value most from the deal, and how attractive its options are. This knowledge can help your team members design offers and respond to the other side's moves in ways that lead to mutually satisfying agreements.

Your people can assess the other side's interests by sharing their own knowledge of the other side with each other, asking questions, talking with people who know the other party, and researching relevant Web sites, annual reports, and marketing materials.

Use these resources to lead a discussion with your team about how to assess the other side's interests as they prepare for an upcoming negotiation. If your team members are not facing an upcoming negotiation, they can still master the skill of assessing the other side's interests by reflecting on previous negotiations during the discussion and considering what steps they might have taken to assess the other side's interests while preparing for those deals.

Download resources:

[Discussion Invitation: Assessing the Other Side's Interests](#)

[Discussion Guide: Assessing the Other Side's Interests](#)

[Discussion Slides: Assessing the Other Side's Interests \(optional\)](#)

[Tips for Preparing for and Leading the Discussion](#)

Working through the discussion guide can take up to 45 minutes. If you prefer a shorter 15- or 30-minute session, you may want to focus only on those concepts and activities most relevant to your situation.

Start a Group Project

Just like any change effort, successfully incorporating new skills and behaviors into one's daily activities and habits takes time and effort. After reviewing or discussing the concepts in this topic, your direct reports will still need your support to fully apply new concepts and skills. They will need to overcome a variety of barriers including a lack of time, lack of confidence, and a fear of making mistakes. They will also need opportunities to hone their skills and break old habits. To help ensure their success, you can provide safe opportunities for individuals and your team as a whole to practice and experiment with new skills and behaviors on the job.

For example, to encourage the adoption of new norms, you can provide your team members with coaching, feedback, and additional time to complete tasks that require the use of new skills. Management approaches such as these will encourage team members to experiment with new skills until they become proficient.

Group learning projects provide another valuable technique for accelerating team members' development of new behaviors. A group learning project is an on-the-job activity aimed at providing team members with direct experience implementing their new knowledge and skills. Through a learning project, team members discover how new concepts work in the context of their situation, while simultaneously having a direct and tangible impact on the organization.

The documents below provide steps, tips, and a template for initiating a group learning project with your team, along with two project recommendations for this topic.

Download resources:

[Tips for Initiating and Supporting a Learning Project](#)

[Learning Project Plan Template](#)

[Learning Project: Prepare for a Negotiation](#)

[Learning Project: Break Down Barriers to Agreement](#)

How to Manage Your Negotiating Team

Jeanne M. Brett, Ray Friedman, and Kristin Behfar. "How to Manage Your Negotiating Team." *Harvard Business Review*, September 2009.

[Download file](#)

Summary

You are leading a negotiating team for your company. When you sit down with the other party, someone on your side of the table blurts out: "Just tell us what do we need to do to get more of your business?" And in that moment, you know you've lost the upper hand. Gaffes like this are more common than most businesspeople would care to admit, management professors Brett, Friedman, and Behfar have found in their research. Even though team members are all technically on the same side, they often have different priorities and imagine different ideal outcomes: Business development just wants to close the deal. Finance is most concerned about costs. Legal is focused on patents and intellectual property. The authors recommend taking four steps, either singly or in tandem, to align those goals: Map out each person's priorities, work out conflicts directly with departments, employ a mediator if that doesn't work, and use data to resolve differences.

It's Not Intuitive: Strategies for Negotiating More Rationally

Max H. Bazerman and Deepak Malhotra. "It's Not Intuitive: Strategies for Negotiating More Rationally." *Negotiation Newsletter*, May 2006.

[Download file](#)

Summary

Most negotiators believe they are capable of distinguishing between situations in which they can safely rely on intuition from those that require more careful thought—but often they are wrong. In fact, most of us trust our intuition more than evidence suggests that we should. How can you be confident that you are thinking and behaving rationally during a negotiation, and how can you recognize that it's time to make some adjustments? This article explores why we often think irrationally—even when the stakes are high and mistakes are costly—and offers four strategies to help you guard against falling back on your intuition during times of stress and indecision in negotiation.

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